



July 20, 2022

To Whom It May Concern:

Greater Ohio Policy Center appreciates the opportunity to comment on the Notice of Proposed Rulemaking (NPR) regarding updating the Community Reinvestment Act (CRA).

The NPR proposed some significant improvements in test rigor but we urge the agencies to extend the rigor of the large bank lending test to the other tests. CRA will be more effective in bolstering bank reinvestment activity in underserved communities, the more rigorous CRA exams and ratings are.

We believe the Agencies should take the following steps for future CRA exams and ratings:

- **CRA must explicitly consider bank activity by race and ethnicity.** By including race and ethnicity, CRA can identify and address persistent racial disparities that have direct impacts on quality of life and health outcomes.
- **Codify proposed public input mechanisms**, for example: publish comments on CRA performance on agency websites, create a public registry for community comments, and be transparent about which community groups the agencies consult
- **Continue to reduce CRA ratings inflation.** The rating system still needs to more accurately review distinctions in performance and further develop guidelines for how to use the performance measures on the community development and services subtests of the large bank exam.
- **Incorporate proposed refinements** to the definitions of affordable housing, economic development, climate resiliency and remediation, community facilities and infrastructure. But also, future develop an impact review in the community development finance test and limit eligible financial literacy work to communities that need it the most, e.g. LMI and other underserved populations.
- **Make all new data publicly available**, including making available deposit and automobile lending, and expand data collection to all large banks.
- **Expand reviews to include the quality of lending**, such as including an analysis of delinquency and default rates in all major product lines. Reviews of lending should also include an affordability analysis. We believe the Americans with Disability Act is a law the fair lending review should consider.
- **More carefully consider performance in smaller areas.** One possible way to do so is to require banks to achieve at least a Low Satisfactory rating of 60% in each of its large metropolitan, small metropolitan and rural assessment areas.
- **Do not reclassify banks as small and intermediate small banks.** This proposed reclassification would have the effect of reducing reinvestment activity

If CRA is improved while maintaining public input and accountability, we believe the proposed rule could help reduce inequalities, disinvestment and other disadvantages in America's overlooked communities.

Thank you for your attention to this critically important issue.

Alison D. Goebel, PhD  
Executive Director



July 22, 2022

To Whom it May Concern:

cdcb| come dream. come build. is the leading provider of affordable housing in the state of Texas. We serve largely Latino low-and moderate-income (LMI) communities in the Rio Grande Valley, and together with partners across the United States, cdcb strives to tackle systemic inequality in areas of persistent poverty. We appreciate the opportunity to comment on the Notice of Proposed Rulemaking (NPR) issued regarding updating the Community Reinvestment Act (CRA).

While the CRA in its current format has been instrumental in ensuring the injection of vital capital into LMI communities, it is long overdue for modernization. The potential changes communicated in the NPR represent the most significant alterations to CRA regulation and exams in 27 years.

While the agencies proposed many crucial improvements in the CRA regulation they did not sufficiently address the structural inequities that exist in rural areas and places with persistent poverty.

To do so, we recommend the following:

- 1. CRA must explicitly consider bank activity by race and ethnicity to address long-existing disparities in lending**
- 2. Address loopholes in assessment that allows banks to overlook rural areas**
- 3. Increase accountability by doing more to reduce CRA ratings inflation**
- 4. Bolster Reviews of Lending Quality to prevent financial exploitation**

**5. Reconsider the reclassification of bank sizes which, if implemented, would reduce community reinvestment activity, particularly in rural areas.**

Each of these recommendations are discussed in detail below:

**Consider Race in CRA Exams**

The CRA requires banks to serve all communities; given the perpetual underserving of BIPOC communities by financial institutions, federal bank agencies should incorporate race in CRA exams. A recent national level analysis showed continuing disparities in loan denials by race and when people of color receive home loans, their equity accumulation was less.

The agencies proposed to use the Home Mortgage Disclosure Act (HMDA) data to produce exam tables describing lending by race, but not to use the results of these analyses to influence a bank's rating. NCRC had asserted in a paper co-authored by Relman Colfax PLLC that changes to CRA would comply with legal standards if CRA examined lending by race and ethnicity in geographical areas experiencing ongoing discrimination or exhibiting significant racial disparities in lending. NCRC had also proposed including analyses of lending in underserved neighborhoods with low levels of lending, which are disproportionately communities of color.

While we believe the agencies can examine banks' record of lending to race, the agencies should at least bolster fair lending reviews accompanying CRA exams for banks that perform poorly in the HMDA data analysis of lending by race. In addition, the agencies proposed using Section 1071 data on small business lending by race and gender of the business owner, and this data should be used as a screen for fair lending reviews. By including race and ethnicity, CRA can identify and address persistent racial disparities that have direct impacts on quality of life and health outcomes.

**Prevent Assessment Criteria that Overlooks Rural Areas**

For several years, advocates have urged the agencies to examine lending that occurs online. The agencies proposed to create retail assessment areas where a large bank does not have branches when a bank has issued 100 home loans or 250 small business loans This proposal would result in the great majority



of total lending being incorporated on exams and would therefore hold non-traditional banks more accountable for serving LMI communities.

We ask the agencies to expand upon their proposal to include partnerships with banks and non-banks for retail lending. When a bank partners with more than one non-bank, the lending of all the non-banks needs to be totaled together for calculating if the threshold is exceeded for purposes of creating assessment areas.

Ino ensure that banks serve smaller metropolitan areas and rural counties, the agencies proposed requiring that banks with 10 or more assessment areas must receive at least a Low Satisfactory rating in 60% of the assessment areas in order to pass overall. This still may not be an adequate solution since the smaller areas could represent a minority of areas, allowing a bank to pass the 60% threshold by focusing on the larger areas. One possible fix is to require banks to achieve at least a Low Satisfactory rating of 60% in each of its large metropolitan, small metropolitan and rural assessment areas.

### **Reducing CRA Ratings Inflation**

Currently, about 98% of banks pass their [CRA exams](#) on an annual basis with just less than 10% receiving an Outstanding rating and almost 90% of them receiving a rating of Satisfactory. The CRA would be more effective in leveraging loans for LMI communities if the ratings system more accurately revealed distinctions in performance. More banks would be identified as significantly lagging their peers, which would motivate them to improve their ratings and increase their reinvestment activity.

The agencies bolstered the rigor on the large bank retail lending test by introducing performance ranges for comparisons among a bank's lending and demographic and market benchmarks. Unfortunately, they did not establish as many guidelines for the performance measures on the underlying subtests,

which could contribute to inflation on the subtests. The community development finance test, for example, will consist of a quantitative measure of a bank's ratio of community development finance divided by deposits. The bank's ratio will be compared to a local and national ratio. The agencies, however, did not provide enough guidelines to examiners for comparing the bank's ratio to either the local or national ratio, making it possible for an examiner to inflate a rating by choosing the lowest comparator ratio.

We believe that it is possible for the agencies to further develop guidelines for how to use the performance measures on the community development and services subtests of the large bank exam in order to produce a uniformly rigorous CRA exam and guard against ratings inflation.

### **Bolster Reviews of Lending Quality**

The agencies proposed to include all activities and products including deposit accounts in addition to credit in anti-discrimination and consumer protection legal reviews. This is an important advance but we urge the agencies to expand their reviews to include the quality of lending. [Massachusetts CRA exams](#) include analysis of delinquency and defaults rates in home lending. Federal CRA exams should do likewise in all major product lines. Moreover, reviews of lending must include an affordability analysis and impose penalties when banks offer on their own or in partnerships with non-banks abusive, high-cost loans that exceed state usury caps and that exceed borrowers' abilities to repay. Finally, we are pleased that the agencies added the Military Lending Act in the list of laws to be included in the fair lending review but we urge them to also add the Americans with Disability Act.

### **Reconsider Reclassifying Bank Sizes**

By adjusting asset thresholds for qualifying for various CRA exams, the agencies proposed to reclassify 779 ISB banks as small banks, which would involve no longer holding these banks accountable for community development finance. In addition, the agencies proposed to reclassify 217 large banks as ISB banks, eliminating their service test and accountability for placing branches in LMI communities. These changes lack justification since these banks have been successfully performing these activities for several years. We urge the agencies to eliminate this aspect of the NPR since it would reduce reinvestment activity.



## Conclusion

The NPR is a good start and promises to make parts of CRA exams more rigorous, but it is imperative that race be considered and that there be a more robust commitment to ensuring rural areas are not overlooked. We also ask that more be done to prevent ratings inflation, to better assess the quality of lending banks perform, and that the currently proposed reclassification of bank-size definitions be reconsidered to prevent the creation of new gaps in CRA performance. If CRA is improved while maintaining public input and accountability, we believe the proposed rule could help reduce inequalities, disinvestment, and other disadvantages in America's overlooked communities.

Sincerely,

*Daniel Elkin*



Daniel Elkin, PhD  
Director of Policy, Impact, and Innovation  
**cdc b come dream. come build.**  
(956) 541-4955  
[www.cdc b.org](http://www.cdc b.org)  
901 E. Levee Street Brownsville, Tx 78520  
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As a Community Development Professional, I appreciate the opportunity to comment on the Notice of Proposed Rulemaking (NPR) regarding updating the Community Reinvestment Act (CRA). This NPR represents the most significant changes to the CRA regulation and exams in 27 years.

CRA will be more effective in bolstering bank reinvestment activity in underserved communities, the more rigorous CRA exams and ratings are. The NPR proposed some significant improvements in test rigor but the improvements are not across the board on all aspects of exams. The NPR also improved data collection and the breadth of geographical areas on exams but did not include race on exams.

Persistent racial disparities in lending should compel the agencies to incorporate race and ethnicity in CRA exams. A recent national level analysis<<https://www.ncrc.org/ncrc-2020-home-mortgage-report-examining-shifts-during-covid/>> showed continuing disparities in loan denials by race and when people of color received home loans, their equity accumulation was less. NCRC had asserted in a paper<<https://www.ncrc.org/adding-robust-consideration-of-race-to-community-reinvestment-act-regulations-an-essential-and-constitutional-proposal/>> that it is possible for changes to CRA to comply with legal standards if CRA examined lending by race and ethnicity in geographical areas experiencing ongoing discrimination. By including race and ethnicity, CRA can identify and address persistent racial disparities that have direct impacts on quality of life and health outcomes.

Since CRA requires banks to meet the needs of communities, the agencies must elevate the importance of public comments regarding the extent to which banks meet needs. The agencies proposed to continue the current practice of sending any comments on CRA performance to banks and are also considering publishing comments received on agency websites. We urge the agencies to post comments on their websites and also to establish a public registry for community organizations to sign up if they wish to comment on CRA performance. In addition, we ask that the agencies publish a list of organizations that comment and that the agencies identify those led by people of color and women in an effort to seek input from a diverse range of organizations.

The agencies bolstered the rigor on the large bank retail lending test by introducing performance ranges for comparisons among a bank's lending and demographic and market benchmarks. This approach would decrease ratings inflation and result in more failing and low satisfactory ratings on the lending test. As a result of this proposed reform, several banks would likely respond by boosting their retail lending to underserved communities. The other large bank tests such as community development finance and services include improvements but need to be further developed to guide examiners against inflating ratings.

The agencies correctly proposed to include new data collecting requirements for deposits, community development activities and automobile lending. Some of this data such as deposit and automobile lending would not be publicly available, which limits the extent to which the public can hold banks accountable. We ask the agencies to reconsider this decision and also to expand this data collection to all large banks.

Advocates have urged the agencies to examine lending that occurs online. The agencies proposed to create assessment areas where a large bank does not have branches when a bank has issued 100 home loans or 250 small business loans. This proposal would result in the great majority of total lending being incorporated on exams and would therefore hold banks more accountable for serving low- and moderate-income communities. However, the agencies must further ensure that exams do not overlook assessment areas containing smaller metropolitan areas and rural counties.

The agencies proposed to eliminate certain subtests for about 1,000 medium-sized and smaller banks that would eliminate their accountability for providing community development finance and branches in underserved communities. These changes lack justification since these banks have been successfully performing these activities for several years. We urge the agencies to eliminate this aspect of the NPR since it would reduce reinvestment activity.

The NPR is a good start and promises to make parts of CRA exams more rigorous but we urge the agencies to extend the rigor of the large bank lending test to the other tests. We also ask the agencies to incorporate race in CRA exams, to expand the public reporting of their data collection proposals and to incorporate the other improvements discussed above. If CRA is improved while maintaining public input and accountability, we believe the proposed rule could help reduce inequalities, disinvestment and other disadvantages in America's overlooked communities.

Best Regards,

DANIEL F. GARCIA

Vice President | Senior CRA Lending Officer

972-941-1107 office

8201 Preston Road, Suite 200

Dallas, Texas 75225

NMLS# 279662

Hours of Availability:

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Affordable Homeownership Foundation appreciates the opportunity to comment on the Notice of Proposed Rulemaking (NPR) regarding updating the Community Reinvestment Act (CRA). This NPR represents the most significant changes to the CRA regulation and exams in 27 years.

CRA will be more effective in bolstering bank reinvestment activity in underserved communities, the more rigorous CRA exams and ratings are. The NPR proposed some significant improvements in test rigor but the improvements are not across the board on all aspects of exams. The NPR also improved data collection and the breadth of geographical areas on exams but did not include race on exams.

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Since CRA requires banks to meet the needs of communities, the agencies must elevate the importance of public comments regarding the extent to which banks meet needs. The agencies proposed to continue the current practice of sending any comments on CRA performance to banks and are also considering publishing comments received on agency websites. We urge the agencies to post comments on their websites and also to establish a public registry for community organizations to sign up if they wish to comment on CRA performance. In addition, we ask that the agencies publish a list of organizations that comment and that the agencies identify those led by people of color and women in an effort to seek input from a diverse range of organizations.

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Kind Regards,

Lois M. Healy-CEO

CMPFinCap

HUD Certified Housing Counselor MYRK0G

Affordable Homeownership Foundation Inc.

5264 Clayton Court, Suite 1

Fort Myers, FL 33907

HUD Approved Housing Counseling Agency

81174

239-689-4944

<<http://www.ahf.today/>> www. AHF.today

" What we do in life, echoes in eternity."

Maximus Decimus Meridias

Roman general

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Good morning,

Local First Arizona appreciates the opportunity to comment on the Notice of Proposed Rulemaking (NPR) regarding updating the Community Reinvestment Act (CRA). As the largest local business coalition in the country, we provide support and technical assistance to 5000+ small businesses annually. Our trust and relationships built in the small business community we hope will provide perspective on why strengthening the CRA is critically important as our economy moves forward.

Arizona is a state with only 12 community banks while 98% of all firms in Arizona are made up of small businesses. There is a critical need to strengthen the CRA to ensure that small businesses receive the capital they need to build wealth for themselves and their families. Large banks continue to overlook the needs of the small businesses. A strengthened CRA will directly address this issue and provide the opportunity for low-income communities to create wealth, jobs and bolster small businesses.

Since CRA requires banks to meet the needs of communities, the agencies must elevate the importance of public comments regarding the extent to which banks meet needs. The agencies proposed to continue the current practice of sending any comments on CRA performance to banks and are also considering publishing comments received on agency websites. We urge the agencies to post comments on their websites and also to establish a public registry for community organizations to sign up if they wish to comment on CRA performance. In addition, we ask that the agencies publish a list of organizations that comment and that the agencies identify those led by people of color and women in an effort to seek input from a diverse range of organizations.

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If CRA is improved while maintaining public input and accountability, we believe the proposed rule could help reduce inequalities, disinvestment and other disadvantages in America's overlooked communities.

We appreciate the opportunities to provide comments and stress the urgency of upholding and strengthening CRA for the betterment of communities across the country.

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<thomas@localfirstaz .com>

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