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Cc: Keith Abouchar
Subject: [EXTERNAL MESSAGE] Community Reinvestment Act Proposed Rulemaking [87 FR 33884]

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Re: Community Reinvestment Act Proposed Rulemaking [87 FR 33884]

A coalition of groups aiming to further financial inclusion, affordable housing, and racial and climate justice called for strengthened environmental justice provisions as the comment period for an update of the rules implementing the Community Reinvestment Act (CRA) comes to a close.

In a letter and a petition to the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, and Federal Deposit Insurance Corporation, the groups call for enhanced access to funds for climate resilience, as well as greater attention to climate change-related risks facilitated by bank financing of fossil fuel-related activities.

Climate change is a risk multiplier that exacerbates racial and economic inequality, and it is progressing at an alarming rate. The agencies must update CRA regulations with this reality in mind so that the banking system meets the changing credit needs of all communities.

Decades of disinvestment in formerly-redlined communities has not only resulted in a staggering racial wealth gap, but it's also left these communities increasingly vulnerable to climate change and disasters. Regulators must seize this opportunity to update CRA regulations and finally acknowledge that the legacy of redlining has far-reaching consequences. By strengthening CRA regulations to direct community investments towards disaster preparedness and climate resiliency, financial institutions will invest critical resources to shore up resiliency that has long been denied these communities.

The federal bank regulators implementing the CRA have begun to recognize that climate change will cause a shift in the kinds of investments and financial services that communities need—especially for those most vulnerable to climate change impacts. For the banking system to meet the changing credit needs of all communities, the final rule should further support green investments that provide climate-vulnerable communities opportunities to build climate resilience and actively participate in the transitioning economy.

Banks pour billions of dollars into fossil fuels every year. Meanwhile, the fossil fuel industry’s air, water, and climate pollution continues to disproportionately impact marginalized communities. From its history of redlining to its modern bankrolling of climate change, the banking sector has repeatedly shown it can’t be trusted to do the right thing without regulatory intervention. It’s imperative for regulators to discourage banks from financing the extractive industries worsening our climate crisis, and start investing in climate resilience and environmental justice instead.

Regulators must revisit old assumptions and modernize the CRA regulations to meet current needs. Forty years after it was enacted, we have fallen short of addressing the legacy of financial discrimination against those communities rated ‘hazardous’ because they were characterized as ‘undesirable populations,’ primarily Black Americans. The communities that were least likely to receive credit for home repairs due to discrimination now face the greatest risk from flooding and extreme weather. Regulators must take this opportunity to strengthen the CRA regulatory framework and ensure that people and families suffering from the cost of historically red-lined communities can access the credit they need to prepare for the climate crisis.

Key policy recommendations include:

Expanding the list of climate-related eligible activities under the CRA regulations to include activities such as electrification and water efficiency measures for residential homes, including multifamily properties;

Explicitly using race as a metric to ensure that historically and current redlined communities receive improved access to credit and services, including investments in community-based climate resilience;

Encouraging banks to increase community engagement and relationship building with climate and environmental justice organizations, including through the use of Community Benefits Agreements; and

Examining the role bank financing activities play in climate change, especially those that disproportionately impair access to credit for Black communities.

The letter, signed by 93 organizations and individuals, can be found here:

https://ourfinancialsecurity.org/wp-content/uploads/2022/08/CRA-Climate-Justice_-4pg-Sign-on-Letter_final.pdf

Americans for Financial Reform, The Greenlining Institute, and Public Citizen submitted a longer climate-focused letter with technical implementation recommendations for the CRA, which can be found here.

https://ourfinancialsecurity.org/wp-content/uploads/2022/08/CRA-Climate_Technical-Comment_final.pdf

Yours sincerely,

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