August 5, 2022

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From:
Indiana Association of Community Economic Development d/b/a Prosperity Indiana
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Indianapolis, IN 46204
Contact: Andrew Bradley, Policy Director abradley@prosperityindiana.org

Re: Joint Proposal to Strengthen and Modernize Community Reinvestment Act Regulations
{Docket ID OCC-2022-0002; RIN 3064-AF81; and Docket No. R-1769 and RIN 7100-AG29;}

To Whom It May Concern:

Prosperity Indiana and our statewide network of nearly 200 community economic development organizations appreciate the opportunity to comment on the Notice of Proposed Rulemaking for the Community Reinvestment Act. We also respect the open approach regulators have taken the last several years, carefully considering feedback from a wide range of stakeholders, including those working on the front lines of community economic development and representing the Americans most impacted by the decisions you will be making regarding strengthening the CRA.

This is the right moment to modernize CRA for the needs of the 21st Century. At its core, the proposed CRA rule is a marked improvement over the status quo. However, the proposed rule is far from ambitious compared to the need that Prosperity Indiana and our members and partners see throughout the state and the nation.

Prosperity Indiana has just concluded a series of regional meetings covering all parts of our state, consulting with members and other stakeholders about the factors needed for financial resiliency for Hoosier families and their communities. Our staff also conducted a webinar with more than a dozen stakeholder participants representing urban, suburban, and rural geographies and entities that serve Low-to-Moderate Income (LMI) and other disinvested communities throughout the state. The feedback and we received from this series of conversations have all directly informed the comments below. In addition, we have participated in national conversations with partners such as the National Alliance for Community Economic Development Associations (NACEDA), the National Community Reinvestment Alliance (NCRC), Americans for Financial Reform (AFR), and the Center for Community Progress, and encourage you to fully incorporate their recommendations. The following is a selection of recommendations that represent the feedback from our statewide network of members and national partners:

First and foremost, the final CRA rule must include exams that explicitly consider banks' records in serving people of color and communities of color.

While CRA has successfully leveraged loans, investments and services, the proposed rule must do much more to serve LMI and other disinvested communities, particularly people of color. Between 2009 and 2020, banks have made more than $36.9 billion in home loans to low- and moderate-income (LMI) borrowers or in LMI census tracts throughout Indiana (see chart below). They made $13.4 billion in loans to small businesses with revenues under $1 million. Of this total, nearly $2.3 billion was lent to LMI borrowers or in LMI census tracts in rural communities in Indiana, and nearly $853.6 million to small businesses in those parts of the state. We need to build on this progress and address remaining disparities in lending through CRA reform.

Community Reinvestment Act Qualifed Lending in Indiana, 2009-2020			
Metro/Geography	**Lending to Businesses in Low-to-Moderate Income Census tracts**	**Mortgage Lending to LMI borrowers or in LMI Census tracts**	**Lending to Small Businesses**
Angola, IN	$0	$134,859,000	$108,339,000
Auburn, IN	$0	$158,613,000	$96,963,000
Bedford, IN	$28,211,000	$168,481,000	$57,293,000
Bloomington, IN	$335,690,000	$1,296,429,000	$359,948,000
Columbus, IN	$320,871,000	$691,216,000	$171,486,000
Connersville, IN	$25,388,000	$131,931,000	$27,784,000
Crawfordsville, IN	$12,011,000	$266,439,000	$60,124,000
Decatur, IN	$10,765,000	$224,009,000	$65,596,000
Elkhart-Goshen, IN	$293,720,000	$994,938,000	$650,478,000
Evansville, IN-KY	$1,127,289,000	$2,180,013,000	$720,638,000
Fort Wayne, IN	$1,348,311,000	$2,672,225,000	$1,112,589,000
Frankfort, IN	$10,907,000	$157,845,000	$48,994,000
Huntington, IN	$14,266,000	$185,803,000	$63,396,000
Indianapolis-Carmel-Anderson, IN	$2,054,402,000	$16,460,732,000	$5,397,510,000
Jasper, IN	$19,955,000	$239,721,000	$185,601,000
Kendallville, IN	$19,961,000	$165,154,000	$74,596,000
Kokomo, IN	$104,443,000	$412,103,000	$95,556,000
Lafayette-West Lafayette, IN	$565,728,000	$1,791,392,000	$277,313,000
Logansport, IN	$29,374,000	$107,020,000	$29,211,000
Madison, IN	$5,698,000	$179,772,000	$57,284,000
Marion, IN	$214,192,000	$216,130,000	$99,291,000
Michigan City-La Porte, IN	$348,185,000	$881,737,000	$210,928,000
Muncie, IN	$411,341,000	$403,520,000	$314,330,000
New Castle, IN	$14,337,000	$158,084,000	$85,788,000
North Vernon, IN	$25,999,000	$104,652,000	$62,566,000
Peru, IN	$10,220,000	$97,202,000	$55,680,000
Plymouth, IN	$101,893,000	$290,518,000	$137,530,000
Richmond, IN	$256,566,000	$363,422,000	$166,689,000
Rural Indiana	$307,651,000	$2,292,081,000	$853,592,000
South Bend-Mishawaka, IN-MI	$892,486,000	$2,071,575,000	$731,805,000
Terre Haute, IN	$326,645,000	$724,054,000	$386,113,000
Vincennes, IN	$112,817,000	$128,729,000	$112,531,000
Wabash, IN	$6,762,000	$122,129,000	$61,998,000
Warsaw, IN	$46,052,000	$324,537,000	$327,419,000
Washington, IN	$25,845,000	$119,218,000	$153,809,000
Total	***$9,427,981,000***	***$36,916,283,000***	***$13,420,768,000***
Source: Prosperity Indiana and NCRC analysis of Home Mortgage Disclosure Act Data from the FFIEC (pre-2018) and the CFPB (2018-2020)			

The need for a strengthened CRA that explicitly consider race in addition to LMI status is apparent, not only in the recent decline in homeownership throughout Indiana, but especially in the growing racial disparities among Hoosier homeowners. According to the Indiana Housing and Community Development Authority (IHCDA) Housing Dashboard, in 2019, 69.1% of homes in Indiana were owner-occupied, down from 71.5% in 2010.

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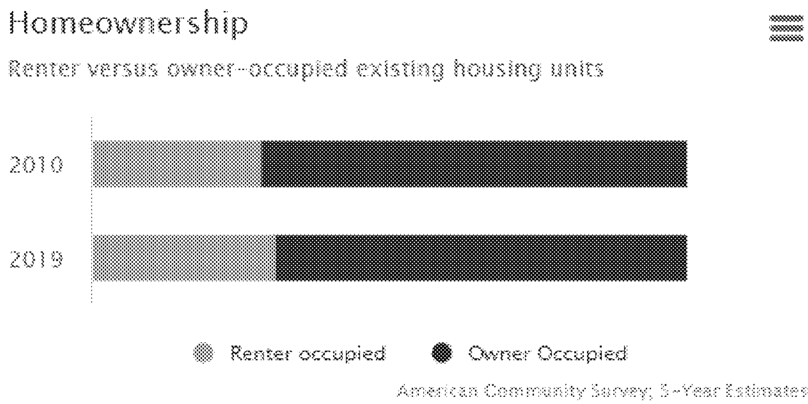
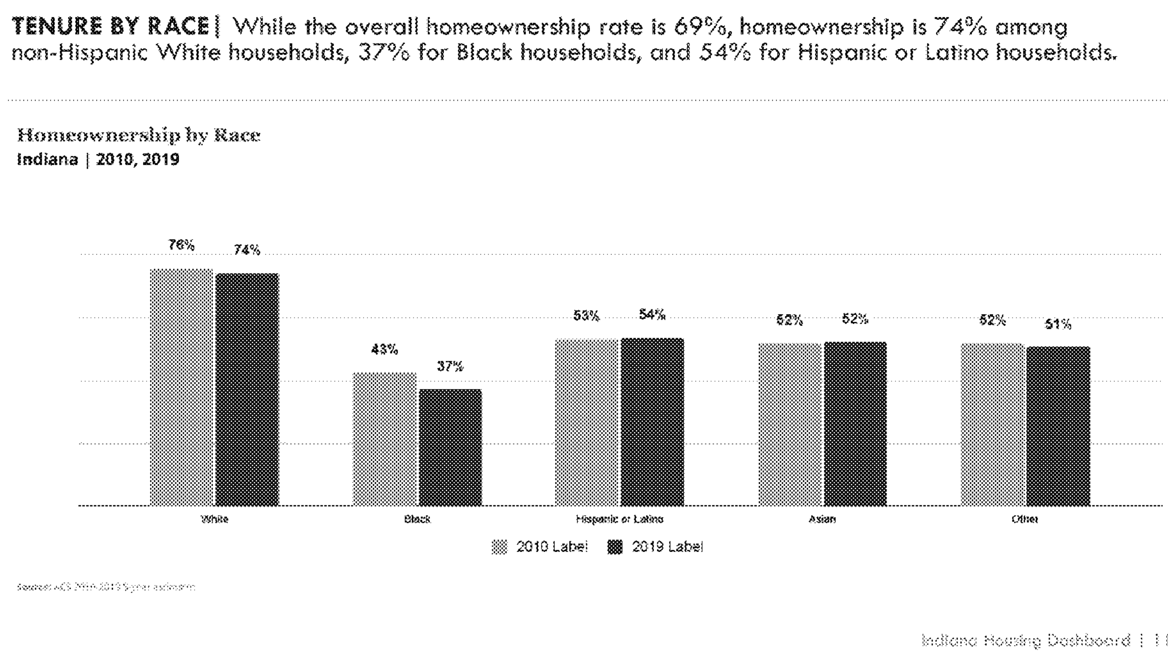


Source: IHCDA Housing Dashboard

But within that statewide homeownership rate of 69.1%, racial disparities have increased over the past decade. So while overall homeownership rates have declined by 2.4% since 2010, the decrease was 6 percentage points for Black homeownership, compared to a decrease of 2 points for white homeownership and an increase of one point for Hispanic or Latino homeownership.



Source: IHCDA Indiana Housing Dashboard

We know that these disparities go back many decades and are especially acute in communities such as Indianapolis. PI member the Fair Housing Center of Central Indiana has found in their recent report The State of Fair Housing in Indiana Report – Mortgage Lending in Marion County 2018-2020 that "In Marion County, homeownership rates are 65% for whites, while only 34% for Blacks, 39% for Hispanics, and 46% for Asians. These rates are also significantly lower than state and federal homeownership rates. Since 1970, white homeownership rates in Marion County have remained fairly level, decreasing by 0.3% from 1970 to 2019. The largest disparity has Marion County's Black homeownership rate decreasing by 30.8% during that same time. In the past decade alone, the homeownership rate in Marion County has declined by 11.0% largely due to the decrease in homeownership in the County's Black neighborhoods. Hispanic homeowners have also seen a substantial drop since 1970, decreasing from 61.1% to 38.8".

Given that homeownership is a major pathway to asset-building and long-term economic empowerment for Hoosier families and communities, CRA can play a major role in rectifying disparities through this rule. Prosperity Indiana and our members know that these disparities are the result of many decades of decision-making that neglected to center the needs of the most disinvested communities, including people of color. For example, many Indiana communities continue to suffer the economic impacts, poor health outcomes, and shortened lifespans in neighborhoods affected by the legacy of redlining in lending. The example below of Evansville highlights not only the long-term effects of past policy choices, but also the need for a strengthened CRA.

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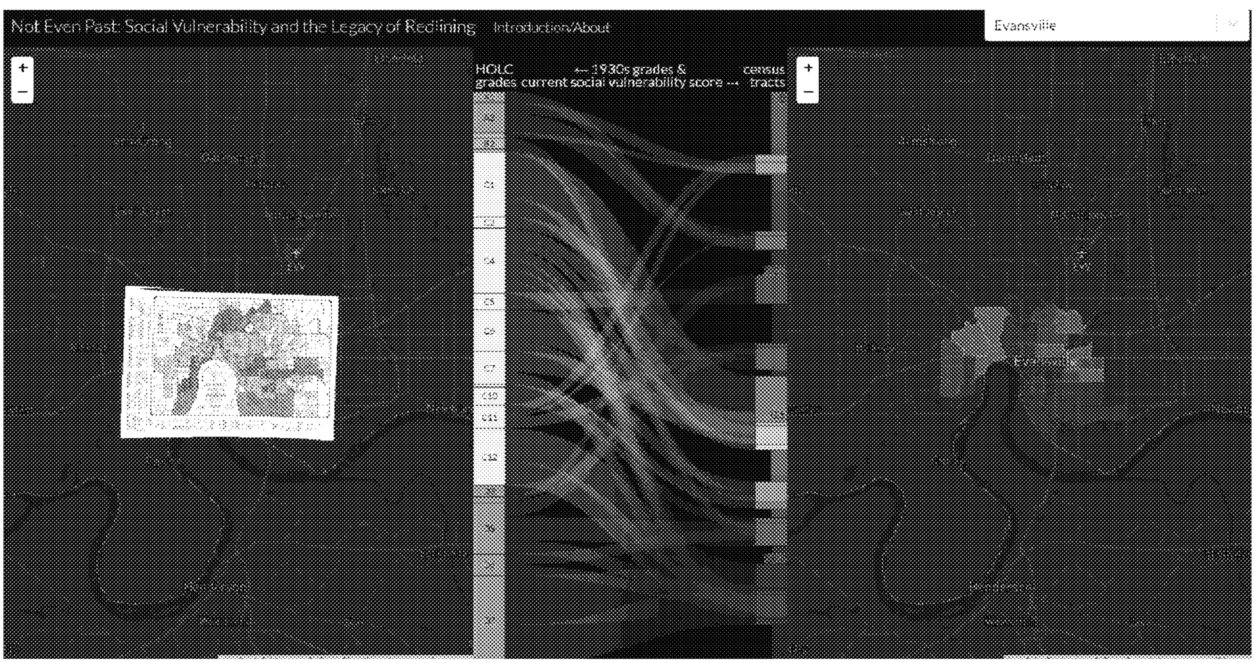


Source: Redlining and Neighborhood Health, NCRC

As our members at the Northwest Indiana Reinvestment Alliance (NWIRA) wrote in their CRA comments: "Persistent racial disparities in lending should compel the agencies to incorporate race and ethnicity in CRA exams… By including race and ethnicity, CRA can identify and address persistent racial disparities that have direct impacts on quality of life and health outcomes".

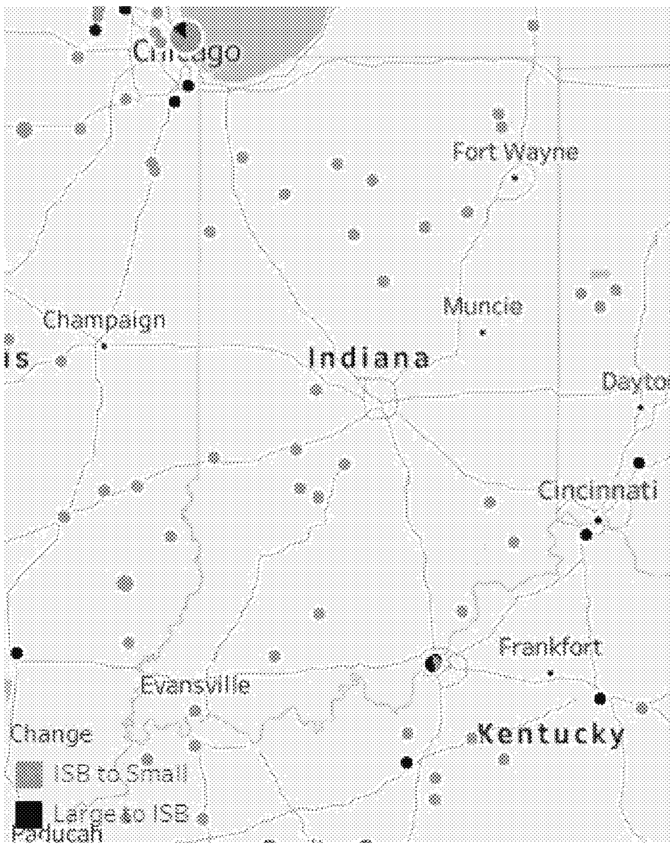
Public input mechanisms in CRA exams and merger reviews must be robust and include consideration of community benefit agreements. The agencies and banks must proactively reach out to community organizations and members of the public.

As PI member HomesteadCS wrote, "We have had a fairly good relationship with most of our banks. CRA brings them to the table, but sound business keeps them there." Community benefit agreements are an important way to bring banks, community members, and members of the public to the same table. And as NWIRA wrote, "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… 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."

Fort Wayne Associated Churches speak to the vital role of input from community organizations that should be recognized in the final rule: "We feel compelled to do something about this issue as a faith community. We will need banks to come to the table responsibly to help address the inequalities, disinvestment, and other disadvantages in our community." Prosperity Indiana also believes that through this rule, CRA has the opportunity to strengthen investments in childcare, a top need for many Prosperity Indiana organizations. We encourage regulators to consider how the rulemaking can support childcare centers. Bank investment in childcare can help to not only address the current childcare crisis – but to boost long-term economic growth in the LMI communities the agencies aim to aid.

The asset categories as proposed (large, intermediate, small) will notably reduce community development financing, particularly in rural areas and small cities.

According to analysis by NCRC, under the proposed CRA rule Indiana has 23 banks that would be reclassified from ISB to 'small'. As the Coalition points out, these banks would no longer have community development finance responsibilities, resulting in a loss of considerable amounts of community development finance. In addition, under the proposed rule, one large bank in Indiana would be re-classified from a large banks to ISB bank, and would no longer have a service test requiring them to pay attention to the branching and service provision in Low-to-Moderate Income (LMI) communities. In addition, at least a dozen banks within a few miles of Indiana's borders would also be reclassified down, further decreasing the community development finance responsibilities in the geographies where Hoosiers work, do business, and have deep community connections.



Source: [MAP: Here's Where Changes To CRA Asset Thresholds Will Undermine Community Reinvestment] June 30, 2022

As PI member Fort Wayne Associated Churches wrote, "We need all our banks to join us in caring for our community. We believe that reclassifying banks as small and intermediate small banks (ISB) would reduce community reinvestment activity. We need to hold all our financial intuitions "Banks" accountable at all levels of their growth."

HomesteadCS adds, "Reclassifying banks as small and intermediate would reduce the community reinvestment in our counties as many of the banks we have would not qualify as a large bank." And NWIRA wrote "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."

Prosperity Indiana agrees that the agencies' proposal to change the CRA regulations should at the very least expect the same range of reinvestment activity as CRA currently does for all ISB and large banks. In this respect, the proposal goes backwards with no justification about how any reduction in burden for these banks would somehow offset the loss of reinvestment activity from a public benefits perspective.

Improvements to exam rigor and more objectivity in performance measures are needed to reduce ratings inflation and loopholes such as not examining major loan products must be closed.

HomesteadCS highlights the dangers of ratings inflation to the mid-size and small communities they serve in Indiana: "98% of the banks currently regulated receive at least a satisfactory rating, yet we still have lenders, here in Indiana, who were charged with redlining. CRA would be more successful with a more effective rating system that truly reveals distinction in performance. CRA should also encourage Community Benefit Plans which have been found to be very successful, both for the community and the bank."

NWIRA adds perspective from Lake County, which includes both disinvested urban areas, suburban, and rural communities in the region. "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."

Enhancements to community development definitions are needed to more effectively target activities to communities in need.

We agree that Agencies should strongly consider land banks and land banking activities for explicit inclusion in the final CRA regulation, as these community development activities work in service of equitable results for communities of color. Prosperity Indiana has led the Indiana Land Bank Incubator Scholarship core team, made up of land bank practitioners and community organizations interested in developing local and regional land banks. Including land banks and their activities in the community development definitions would be one explicit way to effectively target communities in need and to further this effort to increase affordable housing opportunities throughout Indiana.

The agencies proposed refinements to the definitions of affordable housing, economic development, climate resiliency and remediation, community facilities and infrastructure that we believe will more effectively target revitalization activities to communities such as persistent poverty counties and Native American communities.

The NPR clarified that financing health services qualifies under the definition of community support services. Essential community facilities now include hospitals and health centers without current documentation requirements, applied inconsistently, that the financing attract and retain residents to the community. This streamlining would boost financing of critical community infrastructure.

However, the community development finance test will include an impact review which must be further developed and include points and ratings like other subtests so that the test can be even more effective in stimulating responsive community development activities. Finally, we ask the agencies to reconsider their proposal to expand CRA consideration for financial literacy with no income limits; scarce counseling resources need to be targeted to LMI and other underserved populations.

Assessment area changes must sufficiently capture online lending and deposit taking activity.

Speaking to the need for this enhancement, HomesteadCS writes: "As a small community and as rural communities, we are less concerned with low to moderate income neighborhoods as we are with low to moderate income individuals… who need loans and products from good, regulated financial institutions." These communities are also, branch poor, so it is important that financial institutions must meet CRA requirements, not only where they have branches, but also where they take in deposits and do lending. This should include on-line lenders."

NWIRA adds: "Advocates have urged the agencies to examine lending that occurs on line. 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."

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Accountability for discrimination will increase but the agencies need to bolster their reviews concerning the quality of lending

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.

Maximize the amount of data that will be publicly available as part of the CRA examination and pre-approval process.

NWIRA explains the need for this recommendation, writing "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."

We agree with our national partners at NACEDA who urge the agencies to also make public all data associated with a CRA exam to further the agencies' stated goals of making CRA exams more consistent and transparent. This is particularly important for the gathering and publication of community development finance-related data. This type of data has the potential to be transformative for the community development field by quantifying what types of community development financing (loans, investments, grants) is going to which geographies; what types of community development projects banks are financing and where; which populations (by income, race, age, etc.) is being supported by CRA-related dollars, among many other purposes. NACEDA would like to use that type of data and combine it with sets or our own data on the financial health, production, and barriers of CBDOs. We encourage regulators to play a leadership role in this regard and we offer NACEDA's partnership in making the effort impactful.

Conclusion

Prosperity Indiana believes 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, to bolster their assessment area proposal to make sure that smaller communities are not left out and to refrain from reducing reinvestment requirements for any segment of banks. 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 the opportunity to comment on this important matter.

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