



**Comments regarding “Reforming the Community Reinvestment Act Regulatory Framework”**  
Prepared by the [Women’s Housing and Economic Development Corporation](#), Bronx, NY, USA

**RE: RIN 1557-AE34, Federal Register Number 2019-27940, Docket ID OCC-2018-0008 and FDIC RIN 3064-AF22**

April 8, 2020

To Whom It May Concern:

I am writing regarding the OCC and FDIC’s Notice of Proposed Rulemaking (NPR) seeking input on proposed changes to the Community Reinvestment Act (CRA). My name is Davon Russell, President of The Women’s Housing and Economic Development Corporation (WHEDco), which serves more than 45,000 community members in the Bronx and across New York City each year. WHEDco is a community development organization founded on the radically simple idea that all people deserve healthy, vibrant communities. **We work in the South Bronx in storied communities that are still recovering from decades of arson and disinvestment caused by redlining, a federal policy that began in the 1930s.** WHEDco’s mission is to give our Bronx communities access to all the resources that create thriving neighborhoods – from sustainable, affordable homes, high-quality early education and after-school programs, to fresh, healthy food, cultural programming, and economic opportunity. WHEDco is a member organization of the citywide Association for Neighborhood Housing Development (ANHD), the United Neighborhood Houses (UNH) and the national Closing The Women’s Wealth Gap (CWWG) collaborative, to name a few.

I strongly oppose much of the ideas presented in the NPR that would significantly weaken the CRA, leading to less investment, fewer loans and bank branches, and less meaningful investments that would benefit the very people the law was designed to help: low-income people, people of color and communities of color.

For more than 25 years, WHEDco has helped thousands of community members access affordable housing we build, advocate for and/or create access to. We have provided technical assistance and training for thousands of entrepreneurs to start or expand their businesses, including childcare business owners, food entrepreneurs, and neighborhood retailers, many of them minority and women-owned. They provide vital goods and services, income and jobs to South Bronx communities struggling to emerge from the negative impact of arson and disinvestment, spurred by federal government redlining policies. Within this context, we also provide gap-closing education and youth development services to several thousand young people each year from early childhood to high school, as well as arts and cultural programs that reflect the world-changing talents, rich tapestry, cultural impact, and pride of the diverse individuals and families we serve.

The CRA is one of the major civil rights laws that were passed in response to discriminatory policies and practices that locked people of color out of banking, credit, housing, employment, and education. It is one of the most important laws we have that holds banks accountable to local communities. It has led to [trillions of dollars reinvested nationwide](#), and [billions each year here in New York City](#) for affordable housing, small business supports, daycares, schools, and local businesses. The CRA has also fostered affordable mortgages, small business loans and supports, bank branches, and commitments to responsible multifamily lending.

But, for all its benefits, inequities persist. **The Bronx has the lowest concentration of bank branches per household in the country.**<sup>1</sup> Too many low-income people, immigrants, and people of color in the Bronx and across New York City still [lack sufficient access to loans to purchase homes](#), improve their homes, and start and maintain businesses. Mission-driven nonprofits like WHEDco struggle to access grants and loans to build and preserve much-needed deep and permanent affordable housing, support community development, and provide the housing stability that these communities need. In a 2018 survey we conducted in Crotona East/Morrisania<sup>2</sup>, a historically-redlined South Bronx community where we work, the need for affordable housing to rent or own was stark. Only about eight percent (8.4%) of respondents own their own home: over nine of 10 respondents rent, leaving many of them and their families at risk of displacement. **Fifteen percent (15%) of Black households and 18% of Hispanic households in the NY region are completely unbanked, which is over 5 times the rate of white households.** It is even higher in the South Bronx. **More than 24% of respondents in the community WHEDco surveyed indicated that they are unbanked.** Meanwhile, many low-income tenants and tenants of color are being harassed and displaced when banks lend to unscrupulous landlords. Of those who rent who we surveyed, nearly 30% indicated that their landlord harasses them or neglects doing repairs in their apartment. Further, more than half (54.1%) is severely rent-burdened as they pay more than half of their monthly income on rent.

All of this underscores the need to [preserve and strengthen](#) the CRA, making sure that the right priorities are reflected. **In that context, we have deep concerns about much of the proposal:**

1. **The proposal maintains a one-metric / one-ratio approach, despite hundreds of comments opposing it during the first comment period.** It values dollars over impact, quantity over quality, thus **minimizing the role of community input and community needs and incentivizing larger deals over smaller, more impactful ones.** This means fewer loans to first-time homebuyers, low-income homeowners, and small businesses; fewer financing options for smaller nonprofits to build and preserve deep affordable housing; fewer grants to nonprofits for tenant organizing or direct services.

---

<sup>1</sup> Ratcliffe, Caroline, Signe-Mary McKernan, Emma Kalish, and Steven Martin, “Where Are The Unbanked And Underbanked in New York City?” The Urban Institute (September 2015)

<https://www.urban.org/sites/default/files/publication/71511/2000430-Where-Are-the-Unbanked-and-Underbanked-in-New-York-City.pdf>

<sup>2</sup> Crotona Park East/Morrisania Community Needs Assessment Summary of Findings, May 2019, WHEDco.  
<http://www.bit.ly/crotonafindings>

2. **There is no mention of race.** Understanding that the CRA is a color-blind law, the regulators should be doing everything possible to increase access to banks and banking for people of color through affirmative obligations and strengthening the fair lending component of the exam. But the proposal does none of that, and some of the proposed changes that value dollars over quality could inadvertently lead to fewer branches, fewer services, less housing, and less lending and banking to people of color.
3. **The proposal expands what counts for CRA credit with activities that benefit larger businesses and higher-income families, as well as activities that barely benefit lower-income people or communities and others that could displace these communities.** By creating arbitrary numerical goals to reach and by expanding the universe of CRA qualified activities, banks will have no incentive to put the time and effort it takes to reach lower-income borrowers and small businesses, or to work with local nonprofit developers who are doing the more complex, more impactful projects. Worse, banks can get credit for activities that could harm or displace LMI communities, such as opportunity zone financing for athletic stadiums or luxury housing; high-cost credit card loans to LMI borrowers; and the long-standing practice of financing bad-acting landlords who harass and displace tenants.

This means less affordable housing for very low-income New Yorkers who already lack sufficient housing; fewer home loans to low- and moderate-income borrowers; and fewer loans to small businesses that already struggle to access financing. The #1 need identified by more than 70 small retail, industrial and manufacturing businesses WHEDco surveyed in two neighboring South Bronx communities, is access to working capital for day-to-day expenses.<sup>3</sup> Most business owners indicated wanting to improve, expand or renovate, but **lack of access to affordable lending products hinders their ability to grow, provide good jobs, and spur the local economy.** Without accessible and affordable financing, some even resort to tapping into and thus depleting their limited savings when they need money for their business.

4. **The proposal greatly expands where banks can get CRA credit, allowing banks to invest more outside of local assessment areas, which minimizes local community needs and partnerships.** Under the new proposal, banks can get a low or failing grade in half of their assessment areas and still pass their CRA exam if they meet their target dollar goals for the entire bank. The bank-level evaluation combines CRA-qualified dollars loaned invested in all the assessment areas combined, as well as qualified activities anywhere, regardless of assessment area. While some of these areas may need investment, that investment cannot come at the expense of the obligation to meet local needs. Further, all investments, regardless of location, should be analyzed for their impact on historically redlined communities.

This is the wrong approach.

---

<sup>3</sup> Jerome Avenue Business Needs Study, 2017, <https://whedco.org/research-policy/documents>; Crotona Park East/Morrisania Business Needs Assessment Summary of Findings, 2019, WHEDco.

**As an active member of ANHD, a NYC-wide association of housing and community development organizations, we believe any reform must include OUR principles to preserve and strengthen the CRA.**

1. **Banks should be evaluated on the quantity, quality and impact of their activities within the local communities they serve and based on the needs of these local communities.** This cannot be done with a one-ratio evaluation that simply looks at dollars invested.
  - Incentivize high quality, responsive activities that lift historically redlined people – **people of color and low- and moderate-income people** – out of poverty and help reduce wealth and income disparities.
  - Downgrade banks that finance activities that cause displacement and harm.
2. **Community input and community needs must be at the heart of the CRA.** Strong community needs assessment and community engagement should inform community needs and how examiners evaluate how well banks are meeting those needs.
3. **Assessment areas must maintain local obligations.** The CRA must maintain the current place-based commitment banks have to local communities. Banks should have additional assessment areas where they do considerable business (make loans / take deposits) outside of their branch network. These types of reforms must maintain or increase quality reinvestment where it is needed, including high need “CRA hot spots” such as New York City, while also directing capital to under-banked regions.

Meaningful CRA reform can boost lending and access to banking for underserved communities by incentivizing high quality, high impact activities based on local needs, while discouraging and downgrading for displacement and activities that cause harm. Transparent and consistent exams would support these goals.

**The proposal does the opposite of what it claims to do for banks or the community:** It is **less transparent, more complicated, and will ultimately lead to less investment and less meaningful investment.** The formula to calculate the target metric is complicated and relies upon data banks don’t currently collect. Further, it no longer uses publicly available data for home lending, small business lending, and deposits, thus reducing the ways the public can verify and provide feedback on bank performance in those categories.

**The Bronx has the lowest concentration of bank branches per household in the country, and the largest concentration of unbanked households in New York City.**<sup>4</sup> While gains have been made, there is clearly more to be done to strengthen and further the CRA’s impact, not

---

<sup>4</sup> Ratcliffe, Caroline, Signe-Mary McKernan, Emma Kalish, and Steven Martin, “Where Are The Unbanked And Underbanked in New York City?” *The Urban Institute* (September 2015)  
<https://www.urban.org/sites/default/files/publication/71511/2000430-Where-Are-the-Unbanked-and-Underbanked-in-New-York-City.pdf>

[WHEDco](#): Comments regarding “Reforming the Community Reinvestment Act Regulatory Framework”  
RIN 1557-AE34, Federal Register Number 2019-27940, Docket ID OCC-2018-0008 & FDIC RIN 3064-AF22

eviscerate it. The OCC and FDIC should abandon their proposal and go back to the drawing board with the Federal Reserve to develop a plan that preserves the core of the CRA, truly addresses its shortcomings, and modernizes it to meet community demand, spur local economic development, and incorporate today’s banking world. On behalf of the 1.4 million Bronxites who enrich this city and this nation, thank you for attending to our comments.

Sincerely,



Davon Russell, President  
WHEDco, 50 E. 168<sup>th</sup> Street, Bronx, NY 10452, 718-839-1100, [comdev@whedco.org](mailto:comdev@whedco.org)