From: Ted Wysocki [redacted]
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To: Comments
Subject: [EXTERNAL MESSAGE] Comments re RIN 3064-AF81

CRA modernization is way overdue 45 years after its passage in 1977 during the Carter Administration. Its last reform was over 25 years ago during the Clinton Administration.

Many things have changed over these decades. But redlining still exists.

Community development for building assets remains essential. Advancing non-profit capacity through partnerships with private and public sectors, key community investments in affordable housing and economic development as well as grants continue to be vital.

From my almost 50 years of community development, I offer these comments on how the CRA Notice of Proposed Rulemaking can be enhanced:

- Reform the merger review process to be more rigorous and encourage community benefit agreements.
- Require banks to submit specific plans for rectifying identified shortcomings in CRA performance.
- Make race a CRA consideration to increase lending, investment and services to Black, Indigenous and People of Color (BIPOC) communities.
- Refine the proposed community development tests to encourage more types of financing and technical assistance to community-based organizations, including BIPOC led nonprofits.
- Include requirements to provide credit for Black, minority and low-income individuals and not just loans to areas. A gentrified neighborhood may be considered low-income but the low-income people are most likely not the ones receiving the services. Banks should not receive CRA credit for fueling displacement.
- Banks should encourage Housing Developers to include affordable homes and rental units on-site in their projects to foster diversity not further segregation.

The agencies' proposal to create assessment areas where a large bank does not have branches but where a bank has issued 100 home loans or 250 small business loans has been deferred for too long. 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.

Yet today, we all face the existential threat of Climate Change. Modernizing CRA should give banks credit for Climate Mitigation projects. The proposed rules rightly add "disaster preparedness and climate resiliency" activities as a new category of community development, eligible for CRA credit. It is imperative that this change be retained in the final rule.

Climate change disproportionately affects low- and moderate-income (LMI) communities, which tend to be more susceptible to natural hazards, such as flooding and heat waves. The agencies are correct to factor that reality into their broader effort to bring CRA into the 21st century.

The FDIC, OCC, Financial Stability Oversight Council, along with numerous international banking regulatory bodies, have taken a positive step forward by identifying climate change as a risk that banks must address in order to ensure their own financial stability.

However, because climate change disproportionately impacts low-income communities and people of color, climate risk management without a corresponding focus on low-income communities and communities of color threatens to widen inequality and the racial wealth divide. Regulators must build in incentives to engage in disaster preparedness and climate resilience activities that directly benefit LMI communities. This ongoing CRA rulemaking is the perfect opportunity to do so especially given the urgency of this crisis.

The CRA Notice of Proposed Rulemaking lists eligible investments that would provide meaningful support to communities. In addition, climate risk management guidance must clearly indicate that a new form of redlining – avoidance of LMI neighborhoods or communities of color because of climate risk – will not be tolerated. Instead, the agencies should clearly communicate to banks that climate remediation activities in LMI neighborhoods reduce risk and contribute to ecologically and environmentally thriving communities.

Moreover, the agencies should also acknowledge the ongoing environmental harm resulting from certain industries. Banks should receive lower scores and/or CRA rating downgrades for financing industries that contribute to climate change, such as coal, tar sands and oil and gas exploration and production, particularly if they are financing fossil fuel facilities in LMI neighborhoods and communities of color while not financing renewable or clean energy.

CRA can be improved. The proposed rule can reduce inequalities and disinvestment in America’s overlooked and most vulnerable communities. Your efforts in the days ahead can also assure a safe environmental future for generations to come.

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