

RUNWAY

August 3, 2022

Office of the Comptroller of the Currency
Legislative and Regulatory Activities Division
Mail Stop 9W-11
400 7th Street SW
Washington, DC 20219

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Federal Deposit Insurance Corporation
Attention: Comments
550 17th Street NW
Washington, DC 20429

RE: Proposed Rule on Community Reinvestment Act (CRA) by the Comptroller of the Currency, Federal Reserve Board (*Docket No. R-1769 and RIN 7100-AG29*) and FDIC (*RIN 3064-AF81*)

To Whom It May Concern:

RUNWAY, a financial innovation firm providing community underwriting loan methodology for banks and CDFIs aimed at closing the racial wealth gap, welcomes the opportunity to submit comments on the Notice of Proposed Rulemaking (NPR) to update the Community Reinvestment Act (CRA).

CRA, a tool meant to repair the constant economic exclusion of underrepresented groups, will be more effective once race is used in all of its exams. As the last of a series of legislative actions emerging from the Civil Rights era, CRA was created to combat redlining and lending discrimination. Regulators have used low and moderate incomes (LMI) as a proxy for race with respect to people and neighborhoods. However, as awareness of the racial gaps in homeownership, wealth, and income increase, it is clear that focusing on low and moderate income does not advance racial equity. While the NPR has proposed some significant improvements in test rigor, these improvements are not across the board on all aspects of exams and do not include race. Directly including race on the exams allows for the original intention of CRA to be fulfilled.

The NPR could be further strengthened if it took into account the future of banking services. To quote Bill Gates “Banking will be necessary, but banks will not be.” Considering it has been

almost 30 years since the CRA has been reformed, taking into account how technology can help future proof CRA and avoid predatory platforms is crucial. The financial landscape has changed. Mortgage companies, credit unions, fintechs and other “nonbank” lenders now make the majority of the home loans in America. The CRA needs to be applied to all lenders, the same way it’s applied to traditional banks.

CRA stands at the intersection of geography and race. As such, geography must remain the focus of CRA exams for all banks. When the CRA was created it was in response to the persistent impact of “redlining,” the practice of avoiding investment in minority neighborhoods, which used mapping and evaluation of neighborhoods that were laser focused on race. Racial discrimination was rewarded in assessments that directly determined mortgage availability. Therefore, a numeric evaluation that shows the efforts to increase racial equity should be a part of CRA assessments as well. While lending isn’t tied to bank branches the way it used to be, branches are still essential for low- and moderate- income people. Geography still matters. Neighborhoods still matter.


CRA needs to include a direct definition of innovativeness that shows how the innovation addresses the systemic biases and racial segmentation that underlie credit markets. Financial innovation is a major source of CRA points on the exam. Unfortunately, many of the innovation programs for which banks have earned CRA credit have ultimately proven harmful to banks’ low and moderate income customers. The reforms around innovation should offer clear criteria of what innovation looks like in a qualified loan product, investment or the “innovativeness” in the way a bank serves groups of customers previously not served.

Finally, The NPR should have real accountability in its most important intention by including language explicitly stating the law’s obligation to fairly serve all races and ethnicities. Banks that engage in large-scale illegal and harmful activities should fail their CRA exams.

In conclusion, 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.

Thank you for the opportunity to submit this response.

Sincerely,



Jessica Norwood
Founder and CEO
RUNWAY