



July 13th 2022

FDIC Federal Deposit Insurance Corporation: comments@fdic.gov

Re: CRA NPR Comments – OPPOSE UNLESS AMENDED
OCC Docket ID OCC–2022–0002;
FDIC RIN 3064-AF81;
Federal Reserve Docket No. R-1769 and RIN 7100-AG29

To Whom It May Concern:

I am writing on behalf of Neighborhood Housing Service of Queens CDC Inc to submit comments on the interagency Notice of Proposed Rulemaking (NPR) to modernize the Community Reinvestment Act (CRA).

NHS of Queens is a HUD-certified nonprofit counseling agency. Its mission is to preserve and revitalize underserved communities in Queens by providing tools that build the generational wealth of low to moderate income households and that helps them to become more economically resilient. Since 2018, our first-time homebuyer program has helped built \$2.5 million in equity for clients. In addition, our homeownership preservation programs have assisted clients in saving their homes, avoiding over \$5 million in foreclosure costs.

NHS of Queens is a member of the Association for Neighborhood and Housing Development (ANHD), an organization made up of over 80 community groups across New York City with a mission to build community power to win affordable housing and thriving, equitable neighborhoods for all New Yorkers. It is also a member of ANHD’s Equitable Reinvestment Coalition (ERC), which is dedicated to holding financial institutions accountable for the wealth and racial inequities they helped create and continue to perpetuate.

New York suffered greatly from the impact of COVID19 and our service area, at one point the epicenter of the COVID19 pandemic in New York City, was severely impacted creating high numbers of unemployment and housing. NHS of Queens provides comprehensive resources to our clients that serve as roadmap to guide them through their challenges by offering housing counseling and education for first time home buyers; foreclosure prevention; financial

capability counseling and training; completion of housing affordability applications for renters; landlord training; estate planning; scam and deed theft prevention; provision of home emergency repair grants; low-cost loan programs; resiliency and energy efficiency education, digital literacy classes and home maintenance training workshops. It also offers post-purchase/post modification counseling and workforce development services in partnership with La Guardia Airport Career Center.

Although NHS of Queens serves all residents in Queens NY our target areas include Community Boards 1 through 4, consisting of Long Island City, Astoria, Sunnyside, Woodside, Corona, Elmhurst, East Elmhurst, and Jackson Heights. In 2018, Queens County had a population of 2.28M people with a median age of 39.2 and a median household income of \$69,320. The population of Queens is 28.1% Hispanic, 25.7% Asian and 24.7% White. Non-English speakers in Queens comprise 56.4% of the population. The median property value in Queens County is \$577,400 and the homeownership rate is 49.2%.

Each year NHSQ serves more than 5000 clients with the following demographics:
45% are female-headed households.
47% of clients are Hispanic; 30% are African American.
81% reside at or below 80% of the area median income.

NHS of Queens is able to serve our communities through meaningful partnerships with financial institutions who are investing in our communities, thanks to CRA including providing affordable mortgage products to our first-time homeowners and financial coaching. As a result of CRA, Webster Bank provides in-kind office space which allows our organization to allocate what it would pay in rent directly to our programs and services.

CRA has been one of the most important tools we have to hold financial institutions accountable for investing, providing affordable banking products, and giving access to credit to LMI families, allowing for economic mobility and wealth creation. As a result, communities across the US have benefitted from the trillions of dollars in investments leveraged by CRA.

However, despite all its benefits, the CRA has not kept up with significant changes in the current banking industry, nor has it addressed persistent racial disparities and inequities. It has been 40 years since the CRA was passed and the racial wealth gap is wider than ever. The average Black and Latino households earn about half as much as the average White household and only have about 15% to 20% as much net wealth.

The interagency Notice of Proposed Rulemaking (NPR) to modernize the Community Reinvestment Act (CRA) presents a positive development and it's a step in the right direction. However, with the current proposal CRA will remain far from effective and likely incapable of reaching the desired results.

Although there is no silver bullet to fully address centuries of racial disparities or redlining, a comprehensive cross-sector approach is urgently needed. We appreciate all three regulators for getting together and putting forth this collective NPR that could potentially complement the

overarching goal of strengthening the CRA and tackling the issues in the short and long term. However, we need a BOLD holistic approach instead of a piece-meal approach. Given the magnitude of the problem and this historic moment – we need to use every tool in the tool box to fully address systematic racial disparities as well as years of disinvestment in low to moderate income communities, especially in communities of color.

For the CRA to actually address redlining and reach its desired goals,-it must:

- Explicitly include race
- Strengthen the role of community input
- Provide access to Banking
- Emphasize homeownership as a path to wealth creation
- Evaluate banks for quantity and quality, with credit for impactful activities and downgrades for harm and displacement
- Provide inclusive access to online AND physical banking for LMI people and small businesses,
- Provide financing to support affordable housing and community development that benefits - and does not displace - LMI people and communities and people and communities of color.

Race & CRA

We are deeply disappointed that the regulators failed to push for regulations that would have CRA live up to its intended purpose to address redlining. Despite acknowledging the law’s origins and how modern day redlining persists, all the regulators propose regarding race within the examination framework is to disclose already public data that will have no impact on the final rating.

Regulators should **create affirmative obligations** to serve and benefit people of color and communities, and **incentivize** activities that close the racial wealth gap.

Regulators should **benchmark and disclose all available data by race**: home loans (HMDA), small business loans (1071 data), branch & community development locations/ Disparate trends should lead to downgrades and trigger fair lending investigations¹.

Regulators should **extend place-based anti-displacement criteria** to all community development categories: no credit should be awarded for “displacement or detrimental effect on LMI or underserved populations”.

And finally, regulators should **expand discrimination downgrades** to include such incidents of displacement or harm (“detrimental effects”) on people of color and communities, such as specific branch closures, harmful landlord practices, or higher cost products that disproportionately impact communities of color.

¹ NYC example: 22% of the population is Black, but fewer than 5% of loans by CRA-regulated banks go to Black borrowers.

Community Input:

We appreciate that the regulators recognize the importance of community input, but we see few changes to the system today that will reinforce community consultation and comments. Local communities know best about their needs and how to best resolve them. It is not just important to allow community input in the process. Regulators must center the needs and voices of communities of color and LMI people in their exams and ratings. This testimony weaves in several areas where community input can and should be strengthened.

Regulators should also strengthen community input by conducting comprehensive needs assessments based on local data and community input and conducting proactive outreach to a wide range of stakeholders on needs and bank performance. They should consider creating community advisory committees within local communities to support these processes.

Access to Banking

Acknowledging the increase in digital banking and regulating this practice cannot negate the importance of maintaining and opening new bank branches in already underbanked LMI communities and communities of color. Access to bank branches and affordable, accessible products for individuals and small businesses is critical to building wealth through savings and accessing credit. Yet, banks continue to expand and grow as branches close and lower-income, and communities of color are consistently left out of the financial system.

We see this phenomenon often in our neighborhoods where financial institutions create self-fulfilling prophecies by not providing the adequate products and services in LMI bank branches and then “justifying” bank closure due to lack of business activities. Immigrant communities, for example, are often left out of the banking system because of language, cultural, and identification barriers. Banks in these communities must respond to the needs of those communities, including accepting a wide range of identifications, including NYC’s municipal ID, the IDNYC, as well as other foreign IDs. This extends to bank accounts and loans. Too often, financial institutions have stated that they don’t take IDNYC, or won’t make loans to ITIN holders because the regulators prohibit them. Yet other institutions will offer these products without any hesitation. Furthermore, under the CRA today and in the proposal, we see little incentive for banks to make responsible small dollar loans that our communities need to build and repair credit, or meet other financial needs. The CRA must be stronger in getting appropriate products and services to immigrant communities like ours in Queens.

Analysis of bank branches, bank products, and access to banking are just one piece of an already small section of the CRA exam, made smaller in the proposal. Branches **MUST** remain a core component of the retail services test. There must be stronger consequences for closing branches in underbanked LMI and communities of color, including downgrades.

Further, if regulators are to increase access to banking and address the digital divide in banking, all banks - not just those over \$10 billion in assets - must be evaluated on how equitably they open accounts and take deposits, and the quality of their bank deposit products. No bank should pass its exam if it fails to serve communities with branches and affordable/accessible products.

Homeownership as a path to wealth creation for people of color and LMI people

Homeownership remains an important path to wealth creation and developing intergenerational wealth for communities of color. Yet, too often these communities are locked out of homeownership opportunities, targeted with predatory products, and given limited opportunities to accumulate wealth due to lower appraisal values. We appreciate the proposed data-driven framework and acknowledge that it could combat grade inflation, but we have concerns about its overall impact without significant changes.

For example, homeownership is crucial in the Latino community as 63% of the wealth in these communities comes from homeownership. [Homeowners have 28 times the wealth of renters; Latino homeowners have a net worth of \\$171,900, twenty-eight times that of Latino renters which is \\$6,210.](#) Despite the importance of homeownership, there are barriers that impede sustainable homeownership acquisition. According to data from the National Association of Hispanic Real Estate Professionals, since the 2008-09 financial crisis and subprime mortgage fiasco, Latino home ownership rates declined to a low of approximately 45% of the Hispanic population in 2014. By 2020 however, that rate had rebounded to approximately 49%, similar to the peak before the crisis. While the national latino homeownership rate is nearly 50%, in Queens, NY, the [latino homeownership rate is a dismal 27.3%](#)-- despite the total average homeownership rate in the Borough being 49.2%.

CRA can play a key role in ensuring homeownership opportunities and ameliorating barriers. For one, regulators must **prioritize owner-occupied homes over investor-owned properties, and focus on originations, not loans banks purchase from other lenders.** Any evaluation of investor properties must focus on their impact on communities, ensuring they build wealth for people and communities of color, while not fueling harm or displacement for these populations. Regulators should **adopt a similar approach for purchased loans** and require banks to demonstrate how they increase affordable, accessible lending to LMI and BIPOC borrowers. Similarly, regulators should **evaluate who gets loans in LMI/BIPOC communities** to ensure they are benefiting - and not displacing - LMI and BIPOC people.

Regulators must **incorporate an analysis of loan pricing and terms of consumer products** to ensure products are meeting local needs and not extracting wealth. This is especially the case for open-ended HELOC loans, but pertains to all loans. Likewise, regulators should **evaluate how well loan products match local needs.** For example, is a bank offering HELOCs when communities call for traditional home repair loans? Do they include limited equity co-ops where needed? In addition, there should be repercussions if they pull out of residential mortgage lending.

Regulators **must not allow a race to the bottom,** as could happen in a high-cost market like NYC where a bank can pass with just 1.4% of home loans to low-income borrowers, who make up 27% of NYC's population. The proposed considerations for "market failures" should be adopted and apply to New York City, even with the high cost of housing.

One of the shortcomings of the proposed NPR is that it does not regulate the activities of nonbanks and fintech companies, which currently hold a large portion of the market. While we recognize this requires legislative change, as proposed in two of the bills being discussed, there are steps regulators can take in the NPR to close the gap, including requiring banks to include affiliate lenders, and evaluating banks on the performance of non-banks with which they have formal relationships. Banks may also provide financing to non-bank entities, which provides another opportunity for regulators to evaluate the non-bank/Fintech's performance.

Community Development Finance to support homeownership & prevent displacement:

Community organizations, nonprofit developers, and CDFIs depend upon bank financing leveraged through the CRA to support their missions. We appreciate the attention to volume, the impact review incentives for deeper affordability and grants. We are also glad to see the proposal explicitly reference the need to finance the development and creation of affordable homeownership and other programs to support homeownership.

We are concerned about combining **loans and investments, and recommend regulators evaluate each separately** within the community development finance test to ensure banks don't cease to make investments, especially in high cost areas like NYC where the housing production is lagging behind the demand for housing. We are facing an affordable housing crisis and we need to increase affordable housing production using one of the most important financing tools: LIHTC. One of the unintended consequences of evaluating loans and investments together is that it may disincentive institutions from making LIHTC investments. We also worry it could disincentivize other investments, such as grants and EQ2s, both of which are greatly needed, especially in LMI and communities of color. We note that the regulators must require that financial education serve LMI people, and not allow for all income levels, unless it is explicitly to serve people of color.

Equally important is the need to preserve the affordable housing we have. Programs like LIHTC and other government subsidies are important to preserving subsidized housing. However, we also risk losing unsubsidized affordable housing like our rent-regulated housing stock when landlords purchase buildings speculatively - at prices predicated on pushing out lower-paying tenants - when they fail to maintain their buildings with similar tenants. Banks that finance these landlords must be held accountable when their financing contributes to harm and displacement.

Community Development Finance: Broadband & Climate Resiliency

We appreciate the new categories specific to broadband access and climate resiliency which will have a long term impact in our communities.

Broadband access is critical to closing the digital divide. In moving forward with digital banking practices, all of us, including government and financial institutions need to provide bold approaches on how to reduce the digital literacy gap especially in LMI and BIPOC communities in the short and long term as this is crucial to fully provide financial access. One of the complaints we often hear and I have witnessed is how customers at local banks wait up to two

hours to be served by a bank clerk because banks have reduced their staff and replaced them with machines. Financial institutions are moving forward with digital banking leaving a large segment of our population behind.

Bridging the digital gap is a challenge and opportunity for all of us, including non profits on the ground. We need to find ways to increase the digital literacy of our clients especially seniors so they can better access our services. During the Covid-19 pandemic, as part of NHS of Queens' business continuity plan, the office equipped itself to provide services remotely. However, in the last couple of months we have realized that many of the neediest clients who desperately needed our services are faced with internet barrier and/or lack digital literacy skills to be able to submit documents for a successful housing counseling session or to access other services including job placement opportunities. Thanks to our partnership with UnidosUs and LaGuardia Airport Career Center, we began a digital training program to increase the digital skilling of residents to help them increase their access to educational and employment opportunities.

We all need to do our part and be intentional about bringing cross sector resources to foster short and long term solutions to bridge the digital divide not only in urban areas but also in rural America as well.

Furthermore, financial institutions must respond to the urgent needs for climate resiliency and disaster preparation. As a nation, we cannot continue to rely solely on government disaster relief efforts to deal with the consequences of climate change. We need government and financial institutions to invest in long term sustainable solutions in LMI and BIPOC communities, which too often bear the brunt of climate disasters. An article in the American Journal of Community Psychology indicates that BIPOC populations, specifically African Americans and Latinos, have higher risk of disaster exposure and are disproportionately affected by them (e.g., [Fothergill et al. 1999](#); [Hawkins et al. 2009](#); [Perilla et al. 2002](#)).

Bringing climate resiliency and disaster recovery resources to our communities is also a call for frontline organizations like NHS of Queens. While NHSQ is not a disaster relief organization it has a track record dating back to Hurricane Sandy for providing disaster relief services in special circumstances. In 2020 during the COVID pandemic, NHSQ began its Adopt-a-Family program to meet the food insecurity needs of individuals and families in Corona. To date it has provided food to close to 500 families. Also in 2020, NHSQ provided disaster relief services to families impacted by a major fire in Jackson Heights; and when Hurricane Ida paralyzed NYC in September of 2021, NHSQ was the first organization to go door-to-door in neighborhoods impacted by the storm, assisting residents complete FEMA applications and connecting them with city, state and federal resources. We also worked with NYSERDA and KC3 to expedite the process for sustainable recovery efforts of households affected by Hurricane Ida through electrification measures such as installation of heat pumps, electrical water heaters and other energy efficiency services.

At NHS of Queens, as part of our resiliency and sustainability efforts, we incorporated electrification and energy efficiency education into our homeowner financial counseling practice. One of the challenges faced by our clients is to sustainably finance these renewal home repair projects affordably. Providing incentives to financial institutions to consider in climate resiliency investments can potentially be a gamechanger for LMI and BIPOC communities

especially for 1-4 homeowners.

We appreciate the strong attention to climate resilience and disaster recovery in the NPR, including the intent to encourage banks to cooperate with government plans to respond to, or mitigate, disasters. However, not every community has a local government plan, and there are times when those plans are inadequate, especially when communities impacted are not consulted. We ask the regulators to also consider credit for financing that supports community-led plans and programs. We also cannot allow banks to get credit for green financing while also investing in fossil fuels elsewhere. Banks must be downgraded for harmful practices. To enhance the impact of CRA **more can be done to ensure that any activity that gets credit benefits local communities, and that banks are deterred from activities that cause harm.**

Conclusion:

As a Nation, we are in at crossroad as we strive for racial equity, economic mobility and sustainable communities especially as we recover from the devastation of the Covid 19 Pandemic. With intentionality, CRA can be one of the most important engine. At time when we are striving for racial equity, it is disappointing that the proposed rules don't go far enough. There is a missed opportunity to strive for racial equity.

Sincerely,



Yoselin Genao Estrella,
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