OCC: https://www.regulations.gov/commenton/OCC-2022-0002-0001
FDIC Federal Deposit Insurance Corporation: comments@fdic.gov
Federal Reserve Board of Governors: regs.comments@federalreserve.gov

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

August 5, 2022

To Whom It May Concern:

The Little Tokyo Service Center (LTSC) appreciates the opportunity to provide recommendations on the proposed Community Reinvestment Act (CRA) rule as part of the public input process. As a non-profit affordable housing developer focused on community economic development in Los Angeles, we are focused on addressing racial and economic inequities in our communities through housing and small business investments. We hope that our comments will inform you on what aspects of the proposed rule changes need to be strengthened and prioritized.

Extending Automatic Eligibility for Organizations Beyond CDFIs
According to the current proposed rule, Community Development Financial Institutions (CDFIs) play a key role in community revitalization as an effective driver of capital and therefore would be presumed to qualify for CRA credit since they are already required to prove that they promote community development and provide financial products and services to low-income individuals and communities. Given that logic, and given the charter of the NeighborWorks America network, member organizations of Neighborworks should also be considered and granted automatic eligibility, along with HUD-designated Community Housing Development Organizations (CHDOs), HUD-approved Housing Counseling Organizations, and HUD-approved nonprofit organizations.

Low-Income Housing Tax Credit (LIHTC) as Key Tool for Affordable Housing Development
Because allocations of LIHTC prioritizes areas within a state or local jurisdiction that can benefit most primarily from expanding affordable housing options and addressing community needs, it is a key tool that needs to be included as an impact factor for CRA. However, the current proposed rule fails to do so. The proposal will actually threaten to damage one of the key tools for affordable housing developers like LTSC by combining community development lending and community development investment tests instead of keeping them separate. This could lead to banks retreating from LIHTC, which would likely result in fewer affordable housing deals as well as higher costs.

Redefining Small Businesses
LTSC has a small business program that provides support for Japanese and Japanese American-owned small businesses in Los Angeles County, as well as all small businesses in Little Tokyo. Federal programs often do not reach the small businesses that need support the most. This was particularly true during the pandemic when larger independent businesses received Paycheck Protection Program loans while smaller mom-and-pop small businesses were left behind. Approximately 95% of small businesses, 97.7% of minority-owned businesses,

and 98.3% of women-owned businesses have less than $1 million in annual revenue, yet the proposed rule defines small businesses as those with $5 million or less in gross annual revenue. To ensure equity small business lending for those that are most vulnerable, we ask that you require evaluation of both (1) lending to businesses with under $250,000 in gross annual revenue (as proposed), as well as (2) lending to businesses with under $100,000 in gross annual revenue.

Data Collection and Transparency

The CRA proposed rule must advance racial equity and close racial wealth gaps by requiring banks to serve all communities, especially borrowers and communities of color. Closing the racial wealth gap will make the nation and the economy stronger, elevate the Gross Domestic Product and give the U.S. a more strategic competitive advantage. Examiners should review bank performance in meeting the credit needs of communities of color, similar to how banks are evaluated on their performance in meeting the needs of low and moderate income (LMI) borrowers and communities. Urban Institute analysis shows that LMI communities and communities of color are not the same. Bank records in extending fairly priced credit, financing community development, opening responsive account products and maintaining branches to and in communities of color should factor into a bank's CRA rating. This proposal not only fails to require this, but it also offers little as an alternative approach to addressing redlining and discrimination.

The proposal to disclose HMDA mortgage lending data on Performance Evaluations is disappointing. Merely requiring disclosure of already publicly available data on a report that the public rarely accesses is not meaningful transparency. The agencies further clarify that any disparities in HMDA data will not impact the CRA rating of a bank. At a minimum, this proposal should be enhanced to also require all banks to place these home lending data tables and maps revealing inevitable disaggregated race and ethnicity disparities in a prominent place on their own websites, include similar tables and maps for small business lending by disaggregated race, ethnicity, gender and neighborhood when the Section 1071 data become publicly available, and provide that the data will impact CRA ratings.

Conclusion

LTSC appreciates the opportunity to comment on the proposed CRA rules. We hope that you incorporate these recommendations, along with those made by our partner organization, National CAPACD, to ensure that the CRA is equipped to address the racial and economic inequities that have plagued our low and moderate income communities of color.

Sincerely,

[redacted]

Erich Nakano
Executive Director