

August 1, 2022

RE: Comment Letter on Notice of Proposed Rulemaking (NPR) on CRA

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:

The Urban Economic Development Association of Wisconsin, Inc. (UEDA) is a 501(c)(3) membership organization dedicated to the professional development of individuals and groups working in economic and community development in Wisconsin. Incorporated in 1997, we focus on and advocate for sustainable homeownership and housing, financial empowerment and economic mobility, small business growth, community investment, and regional workforce and transportation.

UEDA is an active member of the National Community Reinvestment Coalition (NCRC) and National Low Income Housing Coalition (NLIHC). On behalf of our members, we work in collaboration across sectors, and at local, regional, and national levels to advocate for continued investment in lending products and services to individuals and businesses in the communities we serve.

We appreciate the opportunity to provide our comments on the Notice of Proposed Rulemaking (NPR) regarding updating the Community Reinvestment Act (CRA). It is critical for CRA to be updated and strengthened, and this NPR provides an opportunity to make the most significant changes to CRA in 27 years.

Although progress has been made by banks in serving low- and moderate-income (LMI) communities and communities of color as a result of CRA, there is still much work to be done. While the NPR contains some positive suggestions, we believe that the proposal will not achieve the impact necessary to achieve racial and economic justice unless critical issues are addressed.

CRA ratings and exams need to be strengthened to combat racial discrimination. 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 LMI borrowers and communities.

One positive aspect of the proposal is the expansion of considerations of discrimination to include transactions beyond credit and lending, such as when discrimination occurs when a consumer tries to open a bank account. But this is only as helpful as the agencies' willingness and capacity to diligently look for evidence of discrimination and provide downgrades once it is found.

Racial and ethnic discrimination in lending is still an issue in urban, suburban, and rural areas across the country. In the City of Milwaukee, Census.gov shows that 39% of the residents are Black, 19% Latino, 5% Asian, 6% two or

more races 6% and 34% non-Latino and non-Hispanic White. However, when we look at all home loans (purchase, improvement, or refinance) originated in the City of Milwaukee in 2021, only 14% went to Black borrowers, 12% to Latino, 4% to Asian, 1% to two or more races, but 55% were originated to non-Latino and non-Hispanic White borrowers.

Persistent racial disparities in lending should compel the agencies to incorporate race and ethnicity in CRA exams.

One of our largest, best-known banks in the Milwaukee area originated only 17 home loans (for purchase, improvement, or refinance) to Black borrowers in the City of Milwaukee in 2021, yet they received an “Outstanding” CRA rating on their most recent Performance Evaluation.

The NPR also raises the question as to whether CRA evaluations should consider Special Purpose Credit Programs (SPCPs). We think they should, however, would like to see that SPCPs garner CRA credit or positive impact points for not only their impact on LMI consumers, but also activities that close wealth gaps for racial, ethnic, national origin, Limited English Proficient, LGBTQ and other underserved groups. These efforts are important to the communities we serve, even if their reach may seem limited.

Agencies must elevate the importance of community stakeholder input. The agencies should actively solicit public comments regarding the performance of banks during CRA exams and bank mergers. Many cities have broad, cross-sector CRA-focused coalitions that work to identify unmet banking and community investment needs and provide feedback to the banks and their CRA regulators. We urge the agencies to establish a public registry for community organizations to sign up if they wish to comment on CRA performance.

UEDA leads and supports two coalitions that have active participation from financial institutions, community-based organizations, and public entities: **Take Root Milwaukee** (sustainable homeownership & neighborhoods), and **Bank On Greater Milwaukee** (banking access & financial education). These two programs exemplify how community groups and banks can work together through public-private partnerships to have long-range impact by investing in underserved communities.

For example, over the last nine years UEDA has worked with Take Root Milwaukee (TRM) members on an annual analysis of Home Mortgage Disclosure Act (HMDA) data. The bank members of TRM continue to provide a growing number, and a greater percentage of home loans to LMI borrowers and people of color than their peers in the city. Feeding that growth has been the focus of our coalition, whose members have together provided education and foreclosure prevention counseling to an average of 1,778 homeowners each year, assisted an annual average of 3,863 potential borrowers seeking home purchase education.

Bank On Greater Milwaukee launched in 2019, joining 90+ coalitions across the country to promote safe, affordable accounts and trustworthy financial education to consumers. We work with 45+ members (including twelve financial institutions who offer accounts meeting the Bank On National Account Standards), and assist banks to partner with service providers to connect clients to safe and affordable accounts and provide financial education/resources.

Mortgage Lending. We agree that CRA credit should only be given for mortgage loan originations to owner occupants, unless the originating lender is a mission-driven nonprofit. CRA credit should not be given for banks’ loan purchases from other lenders, nor should credit be given to mortgage loan originations to investors unless the investor purchaser is an LMI or BIPOC buyer or a nonprofit organization.

We also support the proposal to consider lending to low-income borrowers and communities separately from lending to moderate-income borrowers and communities. Through our Take Root Milwaukee program, we continue to see persistent challenges in terms of low-income borrowers and communities accessing credit.

Community Development. We appreciate that the proposal focuses on encouraging banks to engage in community development activities, such as investing in CDFIs. UEDA's network includes a number of CDFIs and chambers of commerce that work with small businesses and micro-enterprises in southeast Wisconsin and we have seen the significant impact they make in increasing access to credit, particularly to ethnic and diverse businesses.

We are concerned that providing a lengthy list of eligible activities and making it easier to qualify for credit will exacerbate the current dynamic whereby banks engage in the easiest and potentially least impactful of CD activities. CD activities should be tied to local community needs, either as a condition of receiving CRA credit or through the use of enhancing impact scoring.

Additionally, we appreciate the proposal's inclusion of community development activities such as *Affordable Housing, Anti-Displacement, Broadband, Native Land Areas, and Climate Resiliency*. All of these are critical areas where CRA can help address disparities and invest in disadvantaged communities. In particular:

- Separate evaluations for CD Lending and CD Investing should be retained to ensure banks remain committed to all the current tools available for affordable housing development.
- Positive impact points should be given for housing projects that have deeper affordability, longer affordability terms and covenants, or are in higher opportunity areas.
- Regulatory agencies should go further to discourage banks from financing displacement and give positive impact points for activities that fight displacement, such as supporting Community Land Trusts and policies that work against market speculation that drives up the cost of rental housing.

Small Business Lending. We are pleased to see the proposed focus on lending to smaller-sized businesses. However, the CRA rules should focus examiner attention on Section 1071 data reporting, once public, to ensure equal access to fairly priced credit for women and BIPOC-owned businesses and for businesses with less than \$1 million in revenue. Most larger businesses do not need CRA to encourage banks to lend to them, yet banks may gravitate to larger businesses and away from small businesses if permitted to do so.

Through UEDA's work with statewide CDFIs and the *Ethnic and Diverse Business Coalition*, a group of chambers of commerce, we know that access to fairly priced capital for small, minority-owned businesses continues to be a huge challenge. We have been advocating to ensure Section 1071 data reporting moves forward so we can engage in the same level of analysis of small business lending in our community that we do with HMDA data.

Retail Services and Branches. We urge regulators to retain core consideration of branch access as part of the CRA, and to expand bank branch obligations in a more meaningful way. NCRC analysis shows a tremendous and detrimental march by banks to close branches, especially in low income, BIPOC, and rural communities. We know simply that these branches do not come back, and that local branches mean local jobs, more small business lending in the community, and fewer visits to fringe financial providers like check cashers and payday lenders. The CRA rules should clearly penalize branch closures and poor coverage in LMI, BIPOC and rural communities, and encourage through impact scoring the opening of branches in such communities.

As a convener of Milwaukee's Bank On coalition, we support and urge proposals that provide for both quantitative and qualitative reviews of deposit and retail credit products that are responsive. Banks should be evaluated not only for offering, for example, Bank On accounts, but for actually connecting consumers with such accounts. We strongly believe that regulators should review the quality of all bank credit and deposit products, especially in the consumer arena. This includes marketing, language access, terms, rates, fees, defaults, and collections. We are concerned that if these components of CRA are combined - meaningful access to branches, accounts, and

responsive credit products – this will result in insufficient consideration in a test that represents only 15% of a bank’s CRA rating.

Assessment Areas. We have been supportive in the past of efforts to expand CRA coverage beyond branch locations, and the Retail Lending Assessment Area is a positive step in that direction. However, we also urge agencies make certain that banks are required to reinvest dollars back into the communities from which the deposits derive – the whole idea behind CRA. It is important to ensure that deposits through deposit-gathering third parties are assigned to local communities, and to prevent abuses and evasions from CRA regulations.

Summary

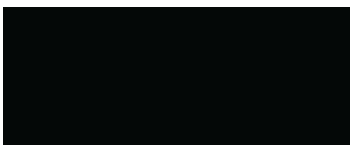
Milwaukee’s continued standing as one of the most segregated cities and metro areas in the country is a result of a legacy of past redlining practices and institutionalized racism that continues to manifest in deep racial and economic inequalities in the region, including a persistent and startling racial wealth gap. Working to reverse the impact of these historical disparities requires consistency and intention, with contributions from the private, public, and nonprofit sectors.

CRA is one institution that encourages investment in communities – particularly LMI communities and communities of color. UEDA works with a diverse cross-section of members and other partners that include nonprofits, financial institutions, CDFIs, government agencies, small businesses, neighborhood associations, funders and individuals concerned with these issues.

We appreciate this opportunity to comment on proposed CRA rules. We commend the agencies for working together to develop the proposal, which contains many positive aspects. However, significant changes should be made to the final rule to ensure that (a) Banks are incentivized to meet critical community needs related to affordable housing, homeownership, small business development, access to credit and safe/affordable retail products; (b) Banks are also penalized for harm caused to communities; and (c) Community input is valued and elevated.

Thank you for your consideration.

Sincerely,



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ABOUT UEDA

The Urban Economic Development Association of Wisconsin (UEDA) is a 501(c)(3) membership association dedicated to facilitating effective, cross-sector collaboration, meaningful connections, and strengthening individual and organizational capacity in Wisconsin's community and economic development sector. Our vision is that the members and communities we serve are inspired and thriving, with equitable access to investment and opportunity. Learn more at www.uedawi.org.