



OFFICE OF THE MAYOR  
CITY OF CHICAGO

LORI E. LIGHTFOOT  
MAYOR

August 05, 2022

Chief Counsel's Office  
Attn: Comment Processing  
Office of the Comptroller of the Currency  
400 7th Street SW Suite 3E-218  
Washington, DC 20219

Ann E. Misback  
Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue NW  
Washington, DC 20551

James P. Sheesley  
Assistant Executive Secretary  
Attn: Comments RIN 3064-AF81  
Federal Deposit Insurance Corporation  
550 17th Street NW  
Washington, DC 20429

Re: Community Reinvestment Act Regulations  
[Docket OCC-2022-0002; Docket R-1769 and RIN 7100-AG29; RIN 3064-AF81]

To Whom it May Concern:

The City of Chicago commends the proposed changes to the Community Reinvestment Act (CRA) included in the *Interagency Notice of Proposed Rulemaking* (NPR) dated May 5, 2022, which represent a generational opportunity to reinvest in minority and low-and-moderate-income (LMI) communities. Chicago recommends their acceptance. Such proposals are overdue and could assist in rolling back years of disinvestment, opening capital to all.

Chicago's history is intimately tied to the legacies of redlining, racial zoning, and restrictive covenants. Modern-day redlining is visible in Chicago's 88% lending delta between minority and white neighborhoods.<sup>1</sup> Chicago is better for the protections in the CRA that increase availability for investment in our underserved communities, that work to build minority wealth, and that narrow

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<sup>1</sup>Linda Lutton, Andrew Fan, & Alden Loury, *Where Banks Don't Lend*, WBEZ 91.5 CHI., Jun. 3, 2020, <https://interactive.wbez.org/2020/banking/disparity/>.

the racial wealth gap. My administration is focused on using precious resources to invest in people, places, and neighborhoods. I have seen first-hand the impact that access to capital—or the lack thereof—can have on these communities.

Chicago welcomes proposals to increase transparency and rigor within the NPR. Chicago also recommends that the NPR be extended to consider racial disparities. Given the truly unique opportunity to act against generational disinvestment represented by the NPR, Chicago urges breadth in the proposed changes. Chicago urges that in some instances the proposed changes go further than those included in the NPR. To those ends, Chicago recommends the following amendments to the NPR:

A. The NPR Should Expressly Consider Race and Ethnicity in Bank Rating.

Lending in Chicago demonstrates discriminatory effect if not intent. For each dollar loaned by banks in Chicago's white neighborhoods, only 12-13 cents are invested in Chicago's Black or Brown areas.<sup>2</sup> Four majority white neighborhoods in Chicago each individually receive more lending than do all of Chicago's majority Black neighborhoods combined.<sup>3</sup> The largest lenders in Chicago have the most distinct gaps in lending across neighborhoods. Chicago has seen lending rates of up to 41 times higher in white neighborhoods than in Black neighborhoods.<sup>4</sup> The CRA's history is one of efforts to counter the effects of disinvestment in minority and LMI communities.

The NPR does not expressly consider race in bank rating, but instead asserts that race may impact fair lending tests. Chicago accords with the National Community Reinvestment Coalition (NCRC) in recommending that the NPR require consideration of race in bank rating. Specifically, Chicago recommends that the CRA include lending by race and ethnicity as criteria when examining banks that lend in neighborhoods with historic low levels of lending. Chicago's lending patterns demonstrate a profound correlation between neighborhoods with historic low lending levels and those which are majority Black and Brown. Large banks should be commended for their increased willingness and investment in minority and LMI communities, however, disparities still exist. In Chicago, 71% of white-owned businesses get their full ask when applying for a small business loan. In contrast, 12% of Black/Latinx-owned small businesses get their full ask and 90% of minority and women-owned businesses get no money at all.<sup>5</sup>

The NCRC recommended two specific steps which would help modernize the CRA. One is using Home Mortgage Disclosure Act (HMDA) data in examining lending-by-race in historically underserved areas. The other is using Section 1071 data when examining lending-by-race in small business lending in historically underserved areas. Chicago's underserved communities would be greatly benefited by those measures. Banks should make lending decisions with an eye toward avoiding overexposure. However, large banks have increased risk tolerance by virtue of their portfolio. Large banks can have significant positive effects through investment in underserved areas. Examining lending-by-race in underserved areas would help increase investment especially in Chicago where race is correlational if not determinative of areas of low investment.

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<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

<sup>5</sup> Helene Gayle, *Pandemic-inspired small-business loans expose inequities that must be fixed*, CRAIN'S CHI. BUS., April 16, 2021, <https://www.chicagobusiness.com/equity/pandemic-inspired-small-business-loans-expose-inequities-must-be-fixed>.

Chicago seeks to stress the importance of creating retail assessment areas in areas without branches but with significant loan activity. Chicago's lending disparities and resultant second-order effects including crime are directly correlated to areas without bank branches.<sup>6</sup> Increasing access to retail banking is likely among the most crucial areas within the NPR for Chicago. Further, this proposal will prove effective. It will cover nearly all loans in Chicago as they are made by a small number of large banks.<sup>7</sup> Similarly, evaluating deposit-taking may operate as a good marker for evaluation on lending as a demonstration for banking reach into minority and LMI communities.

#### B. The Proposed Rule Helps Codify Improvements to Transparency

The NPR seeks to codify several improvements made in response to the COVID-19 pandemic. Chicago supports these improvements and urges their acceptance, especially publishing the CRA exam schedule 60 days in advance and sending CRA comments to banks. Chicago also supports the publishing of comments received on agency websites which is under consideration.

Chicago would ask that the NPR bolster efforts toward transparency by maintaining a public directory of community organizations to be contacted for exam and merger comment. Chicago further recommends that organizations be able to add themselves to that list. Finally, organization of a public directory by geography and demographics would offer special benefit to Chicago. Chicago believes requiring large banks to report community development data on an individual project level as proposed would be one of the most impactful changes in the NPR. These data by category, amount, and impact indicators will go a long way to rectifying the large lending gap by Chicago's key private lending partners. Large banks make up the bulk of Chicago lending and are equipped to lend in minority and LMI communities. Providing the lending data will help with CRA outcomes. Organizing a public directory by geography and demographics would provide community level feedback essential to properly understanding community lending data.

#### C. Increased Rigor in Lending Tests Will Help Reach Chicago's Underbanked Areas.

Chicago supports the boosted rigor of the NPR's assignment of points to the five ratings in the CRA's subtests. Chicago even more strongly supports projecting a market benchmark for specific assessment areas considering demographic, economic, and housing market characteristics. Chicago has strongly geographically and demographically correlated lending patterns contributing to a lack of banking availability and lending in minority and LMI communities. The CRA can help meet its goal of countering decades of disinvestment in Black and Brown communities by allowing regulators to adjust ratings downward for bank underperformance in underbanked areas when compared to majority white areas with significant retail banking access. Further, the proposed retail lending test would help decrease grade inflation. 88% of banks receive a satisfactory or above rating despite dramatic and severe differences in performance across Chicago.<sup>8</sup> Chicago needs a way for the CRA to differentiate bank performance based on performance ranges among demographic and geographic communities.

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<sup>6</sup> German Lopez & Ashley Wu, *Everyday Violence: We look at where most of America's gun violence happens*, N.Y. TIMES, July 11, 2022.

<sup>7</sup> Maude Toussaint-Comeau & Robin Newberger, THE FED. RESERVE BANK OF CHI., *Minority-Owned Banks and Their Primary Local Market Areas*, 41 ECON. PERSPECTIVES 4 (2017).

<sup>8</sup> FFIEC, FFIEC INTERAGENCY CRA RATING SEARCH, May 18, 2022, <https://www.ffiec.gov/craratings/>.

Chicago additionally supports the proposed qualitative impact review where lower dollar amounts of financing spent effectively may nonetheless serve community needs better than simply larger dollar amounts. An impact review could help allow for creative leverage of lower funds in areas where lower spending may be more effective. A rigid list of CRA criteria could prevent creative use of funds or even disincentivize investment by making deployment of funds more difficult at lower, effective amounts. Chicago recommends that the NPR encourages data submission as to how funds in a qualitative impact review scenario were quantifiably used in community development but supports the use of qualitative impact review. Many of Chicago's most underfunded neighborhoods would greatly benefit from targeted deployment of lower funds. Chicago therefore supports ease in deployment of funds to these communities.

Finally, Chicago asks that the NPR examine how to evaluate community development lending outside of branch-based assessment areas. Chicago has large disparity in bank availability and strongly correlated lending gap to minority and LMI communities. Chicago is concerned that high performance in those areas in Chicago with branch availability may obscure lower performance in those areas which are historically underbanked or unbanked. The NPR does not present an approach for weighing services inside assessment areas. For large metropolitan assessment areas, community level data may be appropriate to rectify disinvestment in urban Black and Brown communities. Chicago would be greatly served by consideration of intra-assessment area bank performance.

The CRA has been an essential tool in Chicago's efforts to reverse decades of redlining and discriminatory lending and investment. Chicago believes that a strong CRA can help create a market where private investment is used for public good in neighborhoods that have suffered from a dearth of both public and private spending. The Proposed Rule offers several essential measures which will strengthen the CRA and decrease discriminatory lending impact. Chicago urges the NPR to increase its reach and make it more possible for Chicago to nourish the social and economic opportunities and hope for our underserved residents and for their communities.

Sincerely,

A large black rectangular redaction box covers the signature of the Mayor.

Mayor