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August 2, 2022

Office of the Comptroller of the Currency
Federal Reserve Board
Federal Deposit Insurance Corporation

Re: Community Reinvestment Act

Dear Agencies,

SHARE Baltimore, a network of Community Land Trusts that develop, sell, and steward affordable homeownership housing submits the following comments relative to the Notice of Proposed Rulemaking (NPR) as set forth in 87 Fed. Reg. 33,884 (June 3, 2022).

The Community Reinvestment Act (CRA) was passed in 1977 to curb redlining, eleven years after the Fair Housing Act was passed outlawing racial discrimination in housing. The Fair Housing Act came more than thirty years after redlining was instituted, and the Equal Credit Opportunity Act was passed in 1974.

While these laws have drawn more capital and credit into community development, commercial lending, and mortgages, they have not significantly altered Baltimore's racialized investment footprint, set early the 20th century.

Today's market typology map of Baltimore aligns closely with the Home Owner's Loan Corporation map of 1937. In 2015, Professor Lawrence Brown described it as "The White L versus the Black Butterfly." Private investment and public subsidies flourish in the White L, which is dominated by "choice neighborhoods," while the Black Butterfly (east and west Baltimore) struggles to attract capital. Risk has replaced race as a key determinant of lending and investment, but the racial impact is unchanged.

In 2015, a National Community Reinvestment Coalition report found that "race matters most in mortgage lending" in Baltimore. Literature has shown higher denial rates for Blacks and Hispanic small business loan applications. We struggle with these disparities daily as face both "appraisal gaps," where lenders in certain neighborhoods are unwilling to provide loan amounts that make housing rehabilitation financially viable, or "appraisal bias," where property

valuations of homeowners of color are significantly lower than identical homes owned by whites.

For these reasons,

- It is imperative that the NPR be amended to incorporate lending by race into banks' CRA exam ratings. Using Home Mortgage Disclosure Act (HMDA) data to show lending by race but failing to consider this data in bank ratings is a shocking oversight. Legal objections can be overcome by the very purpose and remedial nature of the CRA itself.
- The NPR fails to consider any changes in its consideration of CRA performance when reviewing merger applications. Transparency must be supplemented by additional merger-oversight tools. Cities like ours need to know from merging banks how they will increase lending, investment, and services through merger related community benefit agreements (CBAs) and related commitments.
- It's hard to believe that the Black Butterfly of Baltimore still exists when 98% of banks pass their CRA exams annually. The NPR fails to upgrade the bank rating structure and prevents us from effectively distinguishing bank performance in CRA ratings. A point system or five overall ratings (as opposed to the four currently) would more clearly show where banks are failing to meet CRA expectations and curb the grade inflation that has become synonymous with CRA ratings.
- Agencies that serve the public must adopt 21st century outreach and engagement practices to fulfill their statutory missions. While the NPR will continue the practice of publishing 60 days in advance, the schedule of CRA exams for the following two quarters, it should go further. Agencies should be required to document their efforts to reach communities, such as ours, that engage community residents of color in community development and homeownership lending. Agencies should work jointly to assemble directories of community organizations by geographic area, utilize opt-in notifications via text messaging and other electronic media, and utilize culturally appropriate communication to engage the public. Democracy is a mutual obligation, and the nature of its practices must change to accommodate advances in technology, and changes in culture.

We also support other comments on this NPR submitted by the National Community Reinvestment Coalition. We await the day where Baltimore's Black Butterfly will become extinct and believe your positive consideration of our comments and subsequent amendments to the NPR can facilitate that process.

Respectfully submitted,


J. Peter Sabonis

On Behalf of SHARE Baltimore