METROPOLITAN HOUSING COALITION

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January 17, 2020

RE: Notice of Proposed Rulemaking, Community Reinvestment Act Regulations

To Whom It May Concern:

The Metropolitan Housing Coalition (MHC) is a 30 year non-profitw with over 300 members that facilitates advocacy for fair housing and for affordable housing in the Louisville, KY MSA.. MHC opposes the proposed changes to the Community Reinvestment Act (CRA) regulations. According to dissenting FDIC Board member Martin Gruenberg, the FDIC's and OCC's Notice of Proposed Rulemaking (NPRM) on the Community Reinvestment Act (CRA) "is a deeply misconceived proposal that would fundamentally undermine and weaken the Community Reinvestment Act."

The agencies would lessen the public accountability of banks to their communities by enacting unclear performance measures on CRA exams that would not accurately measure bank's responsiveness to local needs. Public input into this obtuse evaluation framework would be more difficult and limited. Despite the agencies' assertions that their proposal would increase clarity and bank CRA activity, the result would be significantly fewer loans, investments and services to low- and moderate-communities (LMI).

MHC has helped develop a now certified CDFI so we are acutely aware of the need for meaningful investment that affects the lives of the people living in low income areas. The segregation by poverty and race and family type is intense in Louisville and MHC has attached those maps.

MHC also knows that while the 225,000 white households in Louisville are homeowners and creating inter-generation wealth, the ownership rate for

Louisville's 63,500 black households is only 36%, which is the same for Latinx households. For female headed households it is 42%. This is the legacy of deliberate federal policies that excluded blacks from the same programs for ownership where white households received subsidies to become homeowners.

While CRA, ironically, given its origin, does not look at race, MHC refers you to the map that show poverty AND then you should look at the map on race. You can try to hide the racism that pervades the proposed change to the CRA investment rules, but it is quite obvious. Even homeownership in Louisville is racially charged and the attached map shows that HALF of all black homeowners live in just 22 of 198 census tracts. That means these changes will have a deleterious affect even on those black households who are owners or trying to become owners.

Figure 12: Housing Tenure

United States, Kentucky, Louisville MSA, and Louisville/Jefferson County 2016

	United States	Kentucky	Louisville MSA	Louisville/ Jefferson County
Total Households	117,716,240	1,718,217	497,174	310,355
Owners	63.6%	66.8%	66.7%	61.2%
Renters	36.4%	33.2%	33.3%	38.8%
Households by Race/Ethnicity				
White Households	81,079,480	1,506,718	396,501	224,570
Owners	71.4%	70.7%	73.7%	70.3%
Renters	28.6%	29.3%	26.3%	29.7%
Black/African-American Households	14,343,764	134,831	70,530	63,585
Owners	41.9%	36.5%	36.6%	35.8%
Renters	58.1%	63.5%	63.4%	64.2%
Hispanic/Latinx Households	14,725,771	37,970	15,596	11,259
Owners	45.8%	35.3%	39.0%	37.1%
Renters	54.2%	64.7%	61.0%	62.9%
Households by Family Type				
Family households	77,608,832	1,136,651	318,689	185,805
Married-couple Household	56,270,862	836,940	228,179	126,001
Owners	79.5%	82.5%	84.7%	81.9%
Renters	20.5%	17.5%	15.3%	18.1%
Male Household, No Wife Present	5,681,312	82,911	24,196	15,241
Owners	53.2%	57.7%	59.2%	55.4%
Renters	46.8%	42.3%	40.8%	44.6%
Female Household, No Husband Present	15,146,112	220,274	66,710	44,990
Owners	45.1%	46.9%	46.4%	42.3%
Renters	54.9%	53.1%	53.6%	57.7%

SOURCE: U.S. Census, 2012-2016 5-year American Community Survey

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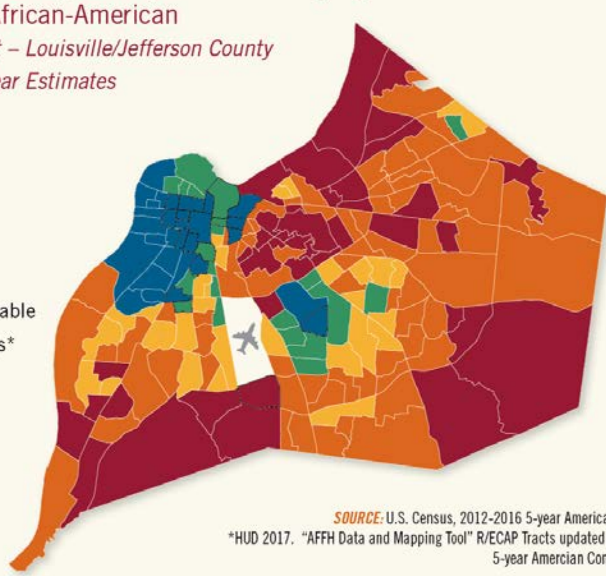
Map 10: Percentage of Population Identifying as Black or African-American

by Census Tract – Louisville/Jefferson County
2016 ACS 5-Year Estimates

- <=4%
- 5%–14%
- 15%–24%
- 25%–49%
- >=50%
- No Data Available
- R/ECAP Tracts*



SOURCE: U.S. Census, 2012-2016 5-year American Community Survey
*HUD 2017. "AFFH Data and Mapping Tool" R/ECAP Tracts updated to reflect 2009-2013 5-year Amercian Community Survey data.

Map 2: 22 Tracts Containing 50% of Total Black/African American Homeowners in Louisville/Jefferson County (2017)

- Number of Black/African American Homeowners
- Tracts with fewer than 330 Black/African American Homeowners

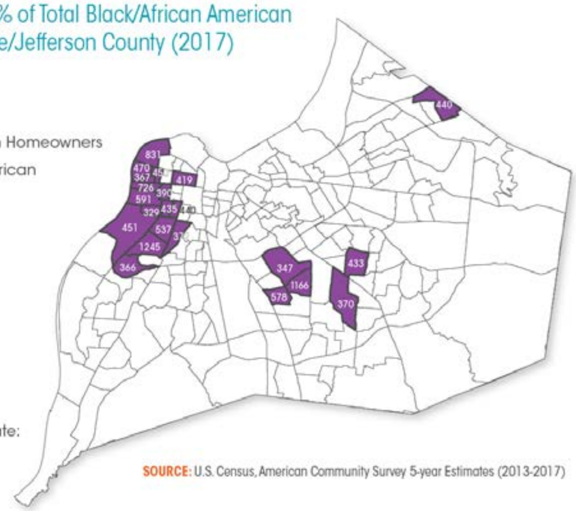
Louisville/Jefferson County Totals:

Non-Hispanic Black/African American Homeowners: 23,170

Non-Hispanic Black/African American Homeownership Rate: 36.1 per 100 Households

Total Non-Hispanic White Homeowners: 158,189

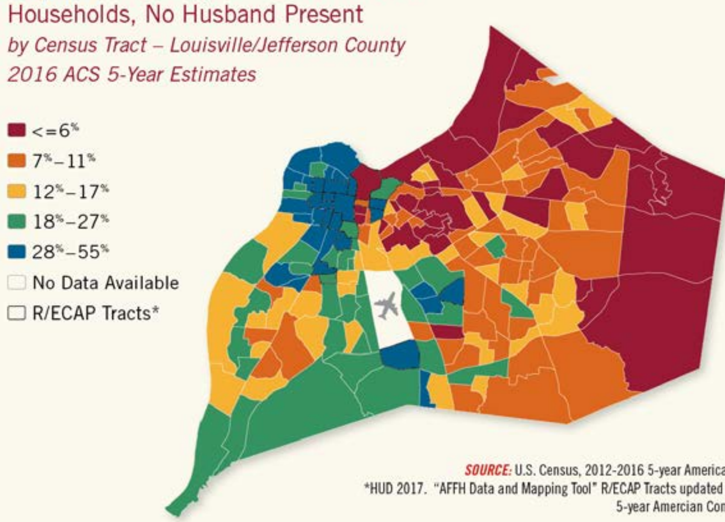
Non-Hispanic White Homeownership Rate: 70.8 per 100 Households



SOURCE: U.S. Census, American Community Survey 5-year Estimates (2013-2017)

Map 13: Percentage of Female-Headed Households, No Husband Present

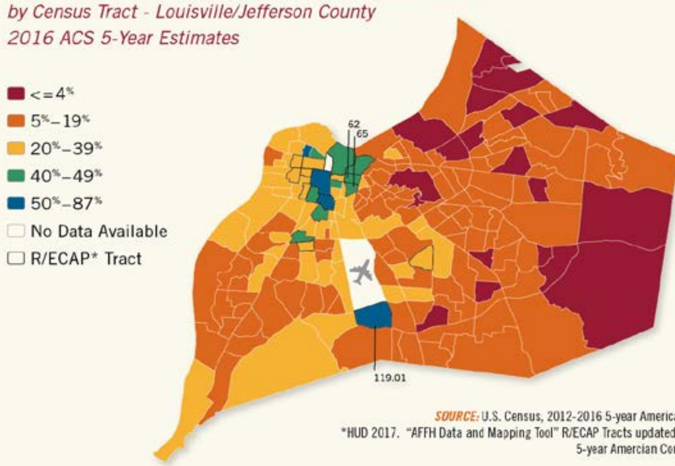
by Census Tract – Louisville/Jefferson County
2016 ACS 5-Year Estimates



SOURCE: U.S. Census, 2012-2016 5-year American Community Survey
*HUD 2017. "AFFH Data and Mapping Tool" R/ECAP Tracts updated to reflect 2009-2013 5-year Amercian Community Survey data.

Map 9: Percentage of Total Population in Poverty

by Census Tract - Louisville/Jefferson County
2016 ACS 5-Year Estimates



SOURCE: U.S. Census, 2012-2016 5-year American Community Survey
*HUD 2017. "AFFH Data and Mapping Tool" R/ECAP Tracts updated to reflect 2009-2013 5-year Amercian Community Survey data.

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The agencies would dramatically lessen CRA's focus on LMI communities in contradiction to the intent of the law to address redlining in and disinvestment from LMI and communities of color. The definition of affordable housing would be relaxed to include middle-income housing in high-cost areas. In addition, the NPRM would count rental housing as affordable housing if lower-income people could afford to pay the rent without verifying that lower-income people would be tenants.

Under the NPRM, financing large infrastructure such as bridges would be a CRA eligible activity, which would divert banks' attention from community development projects in LMI communities. Even financing "athletic" stadiums in Opportunity Zones would be an eligible activity. Small businesses and farms that could benefit from CRA would have higher revenues, increasing from $1 million to $2 million for small businesses and as high as $10 million for family farms. The agencies are drastically diluting the emphasis, established in the 1995 regulatory changes to CRA, of revitalizing LMI communities with affordable housing, small business development and community facilities.

The focus on online banking is also racist and classist. In Louisville, the cost of using online banking through phone plans that are purchased at Walgreens is tremendous. You must know that this is how a large percentage of low income households are "online". We still talk about the digital divide in Louisville of even getting access, much less the cost of using these short term data plans for online activity. DO YOUR HOMEWORK on where people have computers and what the cost of short term phone plans are. It is the height of incompetence that the rule disinvests in these households who still use banking products. In fact , is that not the point of the BANK ON programs? So you are countering the progress those programs have made.

While the NPRM recognizes changes in the banking industry such as the increased use of online banking, the NPRM's reforms to the geographical areas on CRA exams are problematic and would reduce transparency. The agencies propose to establish new areas on exams that are outside of branch networks but where banks collect a significant amount of deposits. However, the deposit data collected now does not include customer geographical locations when customers open accounts via the internet. Thus, neither the agencies nor the public can assess the impacts of this proposal by estimating the numbers of banks with new areas and what parts of the country would have increased attention. The public does not have a fair chance to offer comments on the effectiveness of significant proposed changes whose impacts are unknown.

The proposed changes are likely to divert attention from areas served by branches since the agencies propose to make it easier for banks to engage in CRA-qualified activities outside of areas with branches. Currently, banks can engage in community development activities beyond areas with branches only after satisfactorily serving them. Under the NPRM, there would be no such restriction, allowing banks to find the easier places anywhere in the county to engage in community development without first responding to needs in the communities with branches.

The agencies propose an evaluation system that would further inflate ratings while decreasing the responsiveness of banks to local needs. Now, 98% of banks pass CRA exams; the proposal would likely push this up to 100%. The agencies propose a one ratio measure that consists of the dollar amount of CRA activities divided by deposits. This ratio measure would likely encourage banks to find the largest and easiest deals anywhere in the country as opposed to focusing on local needs, which are often best addressed with smaller dollar financing for small businesses or homeowners. Since banks could fail in one half of the areas on their exams and still pass under the proposal, the likelihood of banks seeking large and easy deals anywhere increases.

The proposal would retain a retail test that examines home, small business and consumer lending to LMI borrowers and communities but this retail test would be only pass or fail. In contrast, the retail test now has ratings and counts for much more of the overall rating. Moreover, the proposal would eliminate the service test that scrutinizes bank branching and provision of deposit accounts to LMI customers. Replacing this test is a formulaic measure that would result in branches in LMI areas counting for very little in the one ratio and hence would encourage banks to close them.

The agencies establish numerical targets under the one ratio exam for banks to hit in order to achieve Outstanding or Satisfactory ratings. However, the agencies base the targets on their research, which the agencies do not reveal in the NPRM. The public, therefore, cannot make informed judgements about whether the numerical targets would result in increases in activity, stagnant levels or decreases. The agencies have violated a basic premise of rulemaking, which is to enable the public to assess the impacts of a vitally important rule to communities.

The agencies also propose to allow banks that receive Outstanding ratings to be subject to exams every five years instead of the current two to three years. This stretch out reneges on the agencies' statutory duties to ensure banks are continuing to respond to community needs. Banks with a five-year exam cycle would likely relax their efforts in the early years of the cycle. Banks would also have less accountability to maintaining acceptable recent CRA performance when they seek permission to merge with other banks.

Under the NPRM, small banks with assets less than $500 million could opt for their existing streamlined exams instead of the new exams. The new exams would require banks to engage in community development financing while the existing small bank exams do not. A significant subset of these banks which are now required to engage in community development finance would not be required to continue to do so, another loss for the community that is not justified (the NPRM says that small banks may actually perform better on the new exams than their larger counterparts).

Instead of weakening CRA, the agencies must enact reforms that would increase bank activity in underserved neighborhoods. The agencies do not address persistent racial disparities in lending by strengthening the fair lending reviews on CRA exams or adding an examination of bank activity to communities of color in CRA exams. At the very least, the agencies could add a category on CRA exams of underserved census tracts (as measured by loans per capita), which would likely include a high number of communities of color. The agencies also require banks to collect more data on consumer lending and community development activities but do not require banks to publicly release this data on a county or census tract level. Finally, the agencies do not require mandatory inclusion on exams of bank mortgage company affiliates, many of whom engaged in abusive lending during the financial crisis.

This deeply flawed proposal would result in less activity for communities most in need that were the focus of Congressional passage of CRA in 1977. The changes – less focus on people that are LMI, a simplistic one ratio, a bank could fail in one half of its areas and retail lending and branching would count for less of the rating – would increase grade inflation accompanied by a decrease in lending, investing and bank services to LMI consumers and LMI communities. This backtracking will violate the agencies' obligation under the statute to ensure that banks are continually serving community needs.

The agencies violate cardinal principles of rulemaking in terms of fulfilling their statutory responsibilities under CRA and not proposing a rule based on clear and transparent data analysis about the rule's impacts. The FDIC and

OCC need to discard the NPRM and instead work with the Federal Reserve Board and propose an interagency rule that will augment the progress achieved under CRA in terms of reinvesting in LMI communities, not halting or reversing this progress.

Sincerely,

[redacted]

Cathy Hinko
Executive Director