

CRA Comment Letter

April 6, 2020

Working In Neighborhoods opposes the proposed changes to the Community Reinvestment Act (CRA) because they would result in significantly fewer loans, investments and services to low- and moderate-communities in our area. This proposal would make redlining legal again, permitting banks to avoid investment in low-income and minority neighborhoods, and it would make banks far less accountable to the communities they are responsible to serve.

WIN is a Community Development Corporation. WIN helps build sustainable, thriving communities through homeownership programs, financial literacy training, and community leadership development.

WIN advocates for opportunities for increased homeownership opportunities for low moderate income families, small minority and women owned businesses, projects that promote financial services, investments in low and moderate neighborhoods as well as home mortgages for low and moderate-income and particularly investments in African America people and neighborhoods.

WIN has seen the dramatic benefits of the CRA in our neighborhoods. In the low moderate income neighborhoods where WIN works WIN has rehabbed and built homes for over 170 families. All of WIN homes were sold to first time homebuyers.

To do this work banks have used CRA to lend WIN over \$14,000,000. The mortgages for these homes is an additional investment of \$14,620,000. Without CRA this never would have happened.

WIN provides financial literacy education for all people. But WIN does not believe that CRA credit should be given for middle and upper income families

Another example of CRA activity is in Hamilton County:

- 4,315 low and moderate-income families purchased homes in 2018 in our community.
- According to the City of Cincinnati, the CRA has promoted over \$30 billion of investment in our urban core in the last 10 years.
- In the last year, three local bank branches have opened in low and moderate-income communities.

None of these investments would have been possible without initiatives developed under the auspices of the CRA.

The proposed CRA changes dramatically and irresponsibly expand what activities would be eligible for CRA credit. CRA serves our community by driving resources we otherwise could not access, providing for the financial and community development needs our community identifies and prioritizes. Switching to a “non-exhaustive list” of eligible activities developed in Washington, DC, to include infrastructure, transportation and even sports stadiums, removes our low and moderate-income communities’ voices to determine our own needs.

For example, Cincinnati’s professional soccer team, FC Cincinnati, recently started building a stadium in the West End, an African-American low-income neighborhood. The West End is located in an opportunity zone. Under the proposed rule change, investment in this project, including acres of parking lots, would count as CRA investment. This neighborhood needs the CRA to promote investments in families and minority-owned, neighborhood businesses. We do not need the CRA to reward banks for making investments in large corporations that they would make without any incentive.

Also, the proposed rule institutes a single ratio to assess how banks serve communities. This single-ratio approach completely disregards whether the community development and financial needs of the community are being served by the bank or its investments. As a result, community development corporations that have served low and moderate-income

communities for years, and whose experience and expertise is seriously considered as part of the current CRA examination process, will be rendered voiceless. Our low and moderate-income communities in Hamilton County would no longer be able to identify and prioritize their needs. Nor would they be taken as seriously by examiners when bank actors behave inappropriately in our communities.

The proposed changes to the CRA further dilute the definition of “affordable housing” for the purposes of CRA credit. This will result in a dramatic reduction in home ownership in low and moderate-income communities.

The single ratio is a deeply flawed concept. As we understand, that was made clear during previous public comment periods. Yet it still remains part of this proposed rule. Please listen to us during this period. The single ratio must be discarded.

Further, the rule proposes that a bank must meet investment benchmarks in only a “significant portion” of its assessment areas in order to receive a satisfactory or outstanding rating. The rule suggests that a “significant portion” be defined as something more than 50 percent.

We are concerned that the proposed rule changes relax the definition of “affordable housing” to include middle-income housing in high-cost areas. The proposed changes also eliminate neighborhood stabilization as part of the definition of community development.

Taken together, these changes would legalize and encourage redlining! We are concerned that our low and moderate-income communities will be in the areas that are left behind. Permitting such behavior would bring us back to an era where financial institutions had the option to draw red lines around—and deny financial services to—poor neighborhoods and all neighborhoods of color. Except this time it’s worse because we understand, yet choose to ignore, history.

The OCC and FDIC acting without the participation of the Federal Reserve risks producing three separate sets of CRA regulations community development corporations would have to learn in order to leverage resources for low and moderate-income communities. That makes everyone's job more complicated, less transparent, and results in confusion. And in the end, our minority individuals and families, and our community-based businesses lose.

The problems of the single ratio, the overly broad definitions of CRA-eligible investments, the gutting of communities' voices, the speedy rule-making process, the credibility gap created by the Federal Reserve's absence, and the lack of good faith and outreach from the OCC that drove this reckless proposal make it beyond repair.

CRA was originally enacted to end redlining. The first goal of CRA modernization should have been to prioritize the problem CRA was intended to fix. We need investment in our low and moderate-income and minority families; not in developers and corporations that do not serve them. We need real investment in our neighborhood businesses. These are the cornerstones of healthy communities.

No matter what CRA modernization looks like, AT LEAST make sure we are preserving the original intent. Unfortunately, this proposal prioritizes policy compliance over impact and outcomes, putting numerators and denominators ahead of families and communities. As a result of the OCC and FDIC's narrow-minded search to ease compliance for financial institutions, you have proposed bringing redlining back.

On behalf of the low and moderate-income people and places our organization serves, we ask that you please discard this proposal and start again.

Sister Barbara Busch
Executive Director
Working In Neighborhoods