Banana Kelly Community Improvement Association
863 Prospect Ave
Bronx, NY 10459

Comments regarding "Reforming the Community Reinvestment Act Regulatory Framework"

RE: RIN 1557-AE34, Federal Register Number 2019-27940, Docket ID OCC-2018-0008

April 8, 2020

To Whom It May Concern:

On behalf of Banana Kelly Community Improvement Association, Inc. and the Banana Kelly Resident Council, we submit these comments in response to the OCC and FDIC's Notice of Proposed Rulemaking (NPR) seeking input on proposed changes to the Community Reinvestment Act (CRA). Banana Kelly is a mutual housing association and community organization in the South Bronx formed in the late 1970s in response to widespread disinvestment and the resulting devastation of once-thriving neighborhoods. Through community control and ownership of our housing, we have played and continue to play a crucial role in the revitalization of the Longwood, Hunts Point, Morrisania and Mott Haven neighborhoods of the South Bronx, leveraging tools like CRA along the way. We are also a proud member organization of the Association for Neighborhood and Housing Development (ANHD) and the Equitable Reinvestment Coalition that it convenes. (While our comment letter does go into the same level of detail that ANHD's does, we ask you to give their comments additional weight knowing that their capacity to provide additional research and detail speaks on behalf of all of our member organizations and their grassroots membership.)

Banana Kelly strongly opposes the NPR because we believe the types of reforms you have put forth will greatly reduce the amount of community input that has been at the heart of what has made CRA such a valuable tool over the past 40 years. Community reinvestment regulations that center quantity over quality are not what we need, especially in the context of speculative investment, serial displacement and gentrification of historically redlined communities like the South Bronx. Indeed, it was the systematic redlining and disinvestment of neighborhoods like ours that led our nation to need a law like CRA in the first place, and it was the grassroots organizing work of people in redlined neighborhoods that led to passage of both the Home Mortgage Disclosure Act of 1975 and the Community Reinvestment Act of 1977. Any changes to CRA should increase community input and focus on tangible outcomes that benefit our neighborhoods. A single metric approach that eliminates the current three-prong test and the value of community input will never do this. The unwillingness of the Federal Reserve to sign on to your NPR is evidence that your process and proposal are flawed and should not move forward. Opposition from community organization after community organization means that your intended outcomes will hurt, not help, the exact communities CRA was intended to benefit.

There is nothing in your proposal that makes us think our neighborhoods and people will benefit economically from these changes to CRA. We currently have the lowest concentration of bank branches per capita in Bronx County than any other county in the nation, and our neighborhoods might be referred to not just as banking deserts, but as the epicenter of banking apartheid. The few bank branches we do have do not meet the needs of the community, with long lines, hidden fees, unaffordable products, and a lack of wealth building tools.

Our residents fight constantly to make sure that quality investments come into the neighborhood. While thankfully CRA has led to an influx of capital to build new affordable housing, we know that many developers are building housing that is not affordable for our local residents. This is the type of nuance that only strong community input in CRA can influence to make sure we put an end to displacement of local residents. We also organize tenants in buildings that are threatened by predatory equity, where landlords are harassing tenants who have low rents to displace them. Not only should banks not receive CRA credit for lending to these types of landlords, but they should be penalized by the regulators for aiding in displacement tactics. Again, these types of nuances are critical, and any CRA rulemaking should be looking at metrics that relate not just to dollars invested, but the outcomes of the investment, such as building community wealth, control and ownership and limiting displacement. Your proposed rules do nothing of the sort and take us further away from this vision.

As active members of the Equitable Reinvestment Coalition at ANHD, we have developed three core priorities for any reform of CRA:

1. Banks should be evaluated on the **quantity, quality and impact** of their activities within the local communities they serve and based on the needs of these local communities. This cannot be done with a one-ratio evaluation that simply looks at dollars invested.

    a. Incentivize high quality, responsive activities that lift historically redlined people – people of color and low- and moderate-income people – out of poverty and help reduce wealth and income disparities.

    b. Downgrade banks that finance activities that cause displacement and harm.

2. **Community input and community needs must be at the heart of the CRA**. Strong community needs assessment and community engagement should inform community needs and how examiners evaluate how well banks are meeting those needs.

3. **Assessment areas must maintain local obligations**. The CRA must maintain the current place-based commitment banks have to local communities. Banks should have additional assessment areas where they do considerable business (make loans / take deposits) outside of their branch network. These types of reforms must maintain or increase quality reinvestment where it is needed, including high need "CRA hot spots" such as New York City, while also directing capital to under-banked regions.

Our coalition agrees that your proposal meets none of these criteria, and in fact, sets us back. Instead, your proposal centers a one-metric/one-ratio approach which will give priority to the quantity of dollars over the impact of those dollars. Larger deals will become more likely to be funded, meaning smaller grassroots and community-based projects are less likely to receive investment. By extension, this means, fewer loans, investments and opportunities for the homebuyers, small business owners and nonprofits that need them the most.

Additionally, your proposal does not address any racial disparities in access to banking, credit and wealth building opportunities. Regulators should acknowledge that CRA is a piece of civil rights legislation that came out of government-back, explicitly and structurally racist policies of redlining, urban renewal and benign neglect. While the language of CRA is race-neutral, regulators have the power to increase access to quality financial services and wealth building opportunities through affirmative obligations and fair lending components of the examination process. Additionally, centering community input means that grassroots initiatives are more likely to receive investment. Your proposal does none of this, and some of the proposed changes that value dollars over quality could instead lead to fewer branches, fewer services, less housing, and less lending and banking to people of color.

The proposal also expands what counts for CRA credit with activities that benefit higher-income families, as well as activities that barely benefit or could actually harm lower-income people or communities. Arbitrary numerical goals and an expanded universe of CRA qualified activities means that banks will have little to no incentive to put the time and effort it takes to reach the people that need the most support: people at the bottom of the economic ladder and the organizations like ours that intentionally seek to work with them to develop and manage deeply affordable housing. Even worse, by counting investments such as opportunity zones, athletic stadiums, luxury housing, landlords who seeks to displace tenants, and high-cost credit card loans, your rules would allow CRA to hurt the exact people it is supposed to benefit. Finally, the expansion of assessment areas means that historically redlined neighborhoods like ours will suffer even more. Under the new proposal, banks can get a low or failing grade in half of their assessment areas and still pass their CRA exam if they meet their target dollar goals for the entire bank. Evaluation tools need to provide more benefit to neighborhoods like ours, not less. Your proposal takes us in the wrong direction.

In conclusion, Banana Kelly believes that meaningful CRA reform could benefit our residents and neighborhoods if it focuses on community input, opportunities for wealth, control and ownership for historically redlined people, and penalties for investments that lead to displacement, debt and disinvestment. The NPR issued byt the OCC and backed by the FDIC ironically will mean the opposite; it will mean less transparency, less impactful investment and more harm. The formula you propose to calculate the target metric is complicated and relies upon data banks do not currently collect. Additionally, it no longer uses publicly available data for home lending, small business lending, and deposits, thus reducing the ways the public can verify and provide feedback on bank performance in those categories. This means less bank accountability at a time when we need more.

The fact that the OCC and FDIC are willing to go forward without the support of the Federal Reserve and without the support of community organizations like ours is deeply troubling. It shows that you do not value strong community input or accountability to historically redlined communities who fought for CRA in the first place. To make sure we don't end up with CRA rulemaking that similarly discredits and ignores our people and communities, we call upon you to abandon this proposal and go back to the table and design a process with all the regulators that will make CRA live up to its true historical potential. Furthermore, proceeding with this proposal in the midst of a global pandemic that is disproportionately impacting neighborhoods like ours is completely unacceptable.

Thank you for your attention to our comments.

Sincerely,

[redacted] [redacted] [redacted]

Hope Burgess
President and CEO

Sonya Ferguson
Resident Council Leader

Gregory Jost
Policy Consultant