From: Glenn Burleigh <gburleigh@ehoc-stl.org>
Sent: Thursday, July 21, 2022 11:17 AM
To: Comments
Subject: [EXTERNAL MESSAGE] SLEHCRA comment on CRA reform NPR - RIN 3064-AF81

To whom it may concern,

On behalf of the St. Louis Equal Housing and Community Reinvestment Alliance (SLEHCRA), I am writing to you regarding the proposed, multi-agency Community Reinvestment Act (CRA) rule. Specifically, SLEHCRA's member organizations strongly urge the adoption of a final rule that requires racial lending data be considered in determining a lender's CRA rating.

SLEHCRA is the St. Louis metropolitan region's primary CRA advocacy coalition. Within the SLEHCRA coalition, over two dozen member organizations work together to advance the goals of CRA on both the Missouri and Illinois sides of our metropolitan area. Since 2010, SLEHCRA has activated banks and advocacy groups alike in the region to recognize the importance of how the CRA can be used to encourage lenders into changing their internal cultures and habits in ways that have extended mainstream financial products and services into areas that have long been disinvested and underserved. SLEHCRA has written and published over 50 comment letters, entered into strong community benefits agreements with over ten banks, and retained and elevated the power of over 25 economic justice organizations to continue engaging with the coalition. Situated in one of the nation's most segregated and racially inequitable regions, the SLEHCRA coalition urges for explicit language regarding racial lending data within CRA ratings. The coalition is confident that this recommendation will be well received and heeded with due diligence.

We are excited to see the three primary banking regulators moving forward on a much needed joint agency update to the rules and regulations that translate the text of the CRA into real world policy. Proposals like the creation of assessment areas in places where a bank does significant online lending, despite the lack of a physical branch location, is an important recognition of the changing digital landscape in the financial services industry. Almost three decades after the last updates, the banking industry has gone through significant changes. It is encouraging to see that regulators have recognized the need for modernization. We embrace this progress and yet, we must highlight some significant concerns with sections of the proposed rule. Specifically, we are disappointed that the agencies did not take the necessary steps to truly address longstanding racial disparities and inequality in our nation's mainstream financial services system.

We join other advocacy groups in the recognition that our nation's financial system has long been racialized in a way that supports and perpetuates the nation's continued racial wealth and homeownership gaps. As these disparities have been specific to racial minorities and follow generations of explicitly racialized and racist housing and lending policies, there is little to no reason to believe that "race blind" solutions are actually capable of remedying these ongoing injustices. As such, we strongly encourage regulators to reconsider their decision to omit the use of racial lending data in determining a lender's CRA rating. Although the CRA was passed as a legitimate remedy that intended to end redlining, to this day, the St. Louis region continues to see lending largely concentrated in majority white areas. While redlining may be technically illegal, race-blind approaches have failed to truly reverse the pattern of redlining in our region. As such, we believe that it is absolutely necessary to institute race-conscious policies to deal with an issue that has such obvious connections to race and racial discrimination. We join other advocacy groups in their belief that there is nothing in the CRA that bars regulators from making this data a part of their grading considerations. As these major revamps are usually decades apart, we are fearful that this will mean more decades pass, prior to regulatory changes that are necessary for the CRA to fulfill its mandate.

We also join other advocacy groups nationwide in supporting the call for greater transparency around comment letters regarding lenders' performance. The CRA is intended to encourage financial institutions to meet the needs of the communities they serve, and these public comments represent the most direct feedback from community groups on a lender's performance and service to the community. By posting these comments on websites, it not only shows proper consideration of the public's feedback, it also provides an accountability mechanism for the regulators, who would have to justify grades for banks with poor public comment letters. This is a potentially important way to decrease the "grade inflation" that has long plagued the CRA exam process and allowed lenders with poor service to low and moderate income communities to receive satisfactory and outstanding ratings, despite the fact that lending has remained anemic in large portions of their service areas.

Our coalition is heartened to see the proposed clarifications to the community development definition. These changes will help add clarity for both community members and lenders. Still, there are concerns around some of the proposed changes. The proposal to give CRA credit for lenders performing financial literacy, regardless of the income of the individuals and communities said activities service. As is, there is still too great of a need for increased funding and services to those communities that have long been ignored by these financial institutions. By allowing lenders to move these activities to higher incomes communities, it is likely to reinforce existing inequities that the CRA was intended to help correct.

SLEHCRA also joins NCRC and other advocacy groups in believing that newly collected data from lenders' auto lending and depository accounts should be made publicly available. We are hopeful that the agencies reconsider this decision. Consumers and their advocates deserve all reasonable transparency. As such, we implore that this newly collected information be made available to the public so that consumers can have a greater understanding of how banks are performing in these important business activities and whether they are doing so in a manner that is in keeping with the spirit of the CRA. Likewise, SLEHCRA joins NCRC's call for including depository accounts in consumer protection and anti-discrimination legal frameworks. It is also important that CRA exams include an examination of the affordability of the credit offered by these institutions. This should include penalties for lenders lending through third parties that exceed the anti-usury interest rate caps in an institution's home state.

Our final concern relates to the method proposed for determining a bank's size and the CRA and reporting requirements to which institutions would be held. As currently proposed, we believe that these rules would lead to a detrimental decrease in both transparency and community development lending and investment. We believe that "intermediate" banks should continue to have a community development financing obligation; under the proposal, almost 800 of them would no longer be examined for community development activities. We note that this is especially true of lenders in surrounding micropolitan areas that currently face significant unmet community development needs.

In closing, SLEHCRA reiterates that we are pleased to see joint rulemaking on modernizing CRA implementation, however, we do have significant concerns about some areas of the proposed rule. Above all, we are extremely disappointed to see the lack of the explicit consideration of lending by race in a lender's CRA rating. This continues to be the single most important reform sought by advocates who serve our region's disinvested neighborhoods. Our collective lifetimes of experience have taught us the clear lesson that race matters in these financial issues. While there are other concerns with the proposed rule, our membership is most disheartened to see this integral change potentially face another generation of inaction. It is imperative that regulators better serve our nation by adopting a final rule that changes direction of this key topic via explicitly requiring racial lending data in determining a lender's CRA rating.

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