

August 4, 2022

BOARD OF DIRECTORS

Ben McAnany
Board Chair
Sandra Olivas
Board Vice-Chair
RJ Gildea*
Treasurer
Finance
Jackie Loya-Torres*
Secretary
Governance

Brennan Crawford
Executive Director/CEO

Alayna Chipman*
Fund Development Committee

Jim Schraeder
Joseph Keller*
Lending Committee
Fr. Mark Mertes*
Homeownership
Mary Collins*
Neighborhood Engagement
Sam Lewis
Sr. Therese Bangert
Tim Quigley*
Project Development

Advisory Council

Craig Gaffney
Joe Reardon
John Tiszka
Msgr. Tom Tank
Susan Carroll
William Hutton

*Committee Moderators

To whom it may concern:

In my capacity as the CEO of Community Housing of Wyandotte County, a comprehensive development organization serving Wyandotte County, KS, I am writing today to offer comments on the Federal Reserve Board (Board), Office of the Comptroller of the Currency (OCC), and Federal Deposit Insurance Corporation (FDIC) jointly released Notice of Proposed Rulemaking (NPR) that would reform the Community Reinvestment Act (CRA) regulation.

Organization History

For more than 20 years, Community Housing of Wyandotte County (CHWC) has worked to stabilize, revitalize, and reinvest in Kansas City, Kansas neighborhoods through improved housing and other quality-of-life initiatives. Our holistic approach to neighborhood development incorporates three main strategies: construction and renovation of high-quality homes affordable to families with a variety of incomes, financial management and homeownership education and support, and the development and renewal of community amenities. To this end, CHWC builds market rate and affordable homes for sale and for rent, serves as a HUD-certified housing counseling agency, and operates a construction company, real estate brokerage, arts studio, community design center, and urban teaching farm.

We are a chartered member of the National NeighborWorks Association and a member of the National Community Reinvestment Coalition. Additionally, CHWC has been a certified Community Housing Development Organization (CHDO) since 2002, a HUD Certified Housing Counseling Agency for over a decade, and is currently making application to become a Community Development Financial Institution (CDFI). We appreciate the opportunity to comment on the Notice of Proposed Rulemaking (NPR) regarding updating the Community Reinvestment Act (CRA) and understand the importance and widespread impact of any and all changes to the current stipulations of the CRA statute. As it stands, the CRA has been a critical tool for us in developing partnerships with banking institutions to meaningfully invest in the low to moderate income communities that we serve.

CRA Credit Eligibility

Please expand automatic eligibility to NWOs, CHDOs and other HUD-approved organizations.

The proposed rule offers an automatic enrollment of activities undertaken with CDFIs as eligible for CRA credit. While this is a welcomed and logical



improvement to the Act, we contend that it is made better by extending this consideration to NeighborWorks organizations in general. According to the regulators, CDFIs play a key role in community revitalization as an effective driver of capital and, as such, “would be presumed to qualify for CRA credit given these organizations would need to meet specific criteria to prove that they have a mission of promoting community development and provide financial products and services to low- or moderate-income individuals and communities.” As the same can be said for NeighborWorks organizations, broadening the recommendation to cover them would align with the intent of the modernized CRA rule. Similarly, we recommend the agencies include HUD-designated Community Housing Development Organizations (CHDOs), HUD-approved Housing Counseling Organizations, and HUD-approved Nonprofit Organizations for automatic enrollment of activities.

Consideration of Race and Ethnicity

Please incorporate consideration of race and ethnicity data in CRA exams.

Although the CRA statute does not mention race, it requires banks to serve all communities; which provides room for the federal bank agencies to incorporate race in CRA exams. Persistent racial disparities in lending should compel the agencies to incorporate race and ethnicity in CRA exams. The proposed rule suggests using Home Mortgage Disclosure Act (HMDA) data as a tool to produce exam tables describing the lending by race, but that information does not go far enough as it does not contribute toward a bank’s rating. With the present racial disparities in lending, CHWC along with many of our NNA and NCRC national partners are proposing the finalized CRA statute allow lending examinations by race and ethnicity; specifically, in geographical areas experiencing discrimination or showing racial disparities in lending activities to be incorporated into CRA exams. Furthermore, we propose that the agencies should, at minimum, bolster fair lending reviews accompanying CRA exams for banks that perform poorly in the HMDA data analysis of lending by race.

The proposed rule to use Section 1071 data on small business lending by race and gender of the business owner, and this data should be used as a screen for fair lending reviews. By including race and ethnicity, CRA can identify and address persistent racial disparities that have direct impacts on quality of life and health outcomes. The original purpose of the CRA was to strengthen capital investment in communities repeatedly and intentionally excluded from banking investment resulting from racist housing and planning practices. This revision offers an incredibly important opportunity to align purpose with practice and ultimately measure the effectiveness of this rulemaking and equitable lending.

Bank Classification Adjustments

Please eliminate this proposed rule from the NPR.

The proposed rule to adjust asset thresholds for qualifying for various CRA exams and reclassifying 779 ISB banks as small and 217 large banks as ISB will significantly reduce reinvestment activity. Reclassifying ISB banks as small banks will remove their accountability for community development finance. Reclassifying large banks as ISB banks will eliminate their service test and accountability for branch placement. As the aforementioned banks have been successfully performing with their current designations for several years, this proposed change lacks justification or real explanation.

Assessment Areas

Please, at minimum, retain and ideally, STRENGTHEN this expansion.

The proposed rule to create retail assessment areas where a large bank does not have branches but has issued 100 home loans or 250 small business loans, supports allowing consideration of community development activities outside of a bank's assessment area. This proposal would result in the great majority of total lending being incorporated on exams, leading to non-traditional banks being held more accountable for serving low- and moderate-income and rural communities.

We seek to expand the proposed rule to include partnerships with banks and non-banks for retail lending. When a bank partners with more than one non-bank, the lending of all the non-banks should be totaled together for calculating if the threshold is exceeded for purposes of creating assessment areas.

Community Development Test Structure

Please adjust the proposed test structure to prioritize the Community Development Test.

Of the two proposed tests under the proposed rule, the weighting of these standards will unfortunately disincentivize banks from securing an Outstanding rating on community development activities, leading to decreased community development investment. The weighting of the Community Development test must be prioritized, yet the current proposal prioritizes Retail tests by severely limiting combinations of test conclusions that can result in a possible Outstanding rating overall; with all of them including an Outstanding conclusion on the retail test. As the proposal is written, none of the 44 largest banks would receive an Outstanding conclusion on the Retail Test, making an Outstanding rating virtually unattainable. In response, banks may only be incentivized to aim for a Satisfactory rating overall, which can be achieved with a minimum Needs to Improve conclusion on the Community Development Test; decreasing the priority and incentive.

Public Input on CRA Exams

Please enhance community participation in CRA exams by developing a public registry for organizations to be contacted during a bank's exam.

In order to continue to enhance the ability to assess whether or not a bank is meeting the needs of the community, we are proposing agencies create a public registry for organizations to sign up for should they wish to be contacted regarding a bank's CRA performance in meeting community needs. Robust engagement with community-based organizations during the evaluation process would ensure this accountability deeper accountability of banks to their communities.

Accountability for Discrimination


Please expand the proposed rule to include the downgrading of banks that engage in harmful lending practices (discrimination, fee gouging, etc.).

The proposed rule to include all activities and products, including deposit accounts in addition to credit, in anti-discrimination and consumer protection legal reviews is a necessary improvement but we urge the agencies to expand their reviews to include the quality of lending. Bank accountability to the agencies and the communities they serve must improve in this area. The inclusion of performance measures and nonperformance penalties in the NPR around discriminatory and predatory practices

should prevent banks from engaging in activities that harm communities of color and promote banks that engage in beneficial activities. We propose the use of penalties when banks offer abusive, high-cost loans that exceed state usury caps and that exceed borrowers' abilities to repay.

I sincerely appreciate the opportunity to offer our perspective on this critical piece of rulemaking. It will have far reaching consequences in communities like ours; I urge you to proceed wisely, informed by organizations who work at the front lines of the CRA's promise and limitations.

Sincerely,


Brennán Crawford
Executive Director & CEO
Community Housing of Wyandotte County