August 4, 2022

ATTN:
The Federal Deposit Insurance Corporation (FDIC): comments@fdic.gov; and
The Federal Reserve Board of Governors: regs.comments@federalreserve.gov

Re: Comments & Changes needed on CRA NPR: OCC Docket ID OCC–2022–0002; FDIC RIN 3064-AF81;
and Federal Reserve Docket No. R-1769 and RIN 7100-AG29

To Whom It May Concern,

My name is Davon Russell, President of The Women’s Housing and Economic Development Corporation (WHEDco), which serves more than 40,000 community members in the Bronx and across New York City each year. I am writing this letter in response to the Federal Reserve Board’s (“Board”) Advanced Notice of Proposed Rulemaking (ANPR) proposal to reform the Community Reinvestment Act (“CRA”) rules.

WHEDco is a community development organization founded on the radically simple idea that all people deserve to live in healthy, vibrant communities. We work in the South Bronx in communities that are still recovering from decades of arson and disinvestment caused by redlining, a federal policy that began in the 1930s. The Bronx’s majority population of Black, Indigenous, People of Color (BIPOC) has been further devastated by the ongoing COVID19 pandemic: early on, Bronx residents were dying from the disease at twice the rate of New York City, and the Bronx economy has taken the hardest hit given the preponderance of industries and jobs shut down or restricted because of NYS public health guidelines.¹

Within this context, WHEDco carries out its mission to give our Bronx communities access to all the resources that create thriving neighborhoods — from sustainable, affordable homes, high-quality early education and after-school programs, to fresh, healthy food, cultural programming, and economic opportunity. We do this work with partners, including the citywide Association for Neighborhood Housing Development (ANHD), the United Neighborhood Houses (UNH), the Bronx Financial Access Coalition (BxFAC) and the Bronx-Wide Coalition for racial justice and economic democracy.

Regarding the interagency Notice of Proposed Rulemaking (NPR) to modernize the Community Reinvestment Act (CRA), while we appreciate several strong components of the proposal, we cannot support it without significant changes.

We truly appreciate the agencies’ interest in strengthening the CRA so that banks can better meet the credit needs of low-income communities and communities of color in New York City and throughout the

state and country. We work with banks daily to manage our $20+ million organizational budget, including paying nearly 300 mostly BIPOC staff, running myriad community programs to address food insecurity, the digital divide among students we serve, and other growing needs, and procuring goods and services locally. We remain deeply concerned by the negative impact that inadequate banking reinvestment continues to have on our communities of color, fomenting the very inequities that the CRA was created to eliminate.

For example, the Bronx has the lowest concentration of bank branches per household in the country. Yet, during the first two years of the pandemic (2020 and 2021) when community members and small businesses were at the greatest need for convenient, affordable, accessible services, 19 branches in the Bronx closed while only four opened. The vast majority of those closures (16) were in majority Black and Brown neighborhoods. Another 10 Bronx branches had closed in the prior three years while six had opened, meaning a net loss of 19 branches over five years across the borough.

We have not been watching passively as this new wave of disinvestment has happened. Instead, we have joined together with three other Bronx organizations to form the Bronx Financial Access Coalition. Together we negotiated an agreement with one of the banks that closed a branch in our community, to financially sponsor our work to bring the Lower East Side People’s Federal Credit Union to the Bronx using their mobile branch. While we are grateful for the willingness of this one bank to make up for the harm of their branch closure, they have been the exception to the rule. A stronger CRA would ensure that banks that close branches in historically redlined communities of color take steps to mitigate the harm caused to the community.

The CRA is one of the most important laws we have to hold banks accountable for their obligations to serve and invest in local communities. The law has leveraged trillions of dollars and fostered meaningful investments, financial services, and partnerships in NYC neighborhoods. It has helped us develop truly affordable housing in our neighborhoods, support small businesses and economic development, deliver vital social services and provide financial access, education and resources to tenants, entrepreneurs, young people, working parents, seniors, and many other community members. The CRA has been instrumental in supporting community organizations like ours in rebuilding places like the South Bronx over the past four decades.

Unfortunately, CRA has not fulfilled its original intentions and its obligation, as an anti-redlining law. CRA has not adequately addressed persistent racial disparities and inequities, and our neighborhood residents continue to suffer the long-term effects of historic redlining and disinvestment, even more-so during the pandemic. CRA has also not kept up with the significant changes in the banking industry over the past 45 years. There is no shortage of data on the persistent and growing racial wealth gap, and the racial inequities in banking services, lending, and investment, but a weak CRA has allowed this to persist and worsen.

Here in the South Bronx, our residents can much more easily find a check casher than a bank branch, and the branches they do encounter often have long lines and charge high monthly maintenance and overdraft

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fees. Either option leads to extraction of hard-earned income rather than creating a solid foundation for building up wealth for residents. Meanwhile, many banks lend to problem landlords who harass tenants, raise rents and fail to make basic repairs. A recent study showed that the equity from bank refinancing offered to these landlords is frequently not invested back into building improvements, but instead is typically leveraged for these investors to purchase more and more property. Meanwhile, banks receive CRA credit for this lending, although it harms tenants and enriches unscrupulous, profit-led landlords and investors.

Mission-driven nonprofits like WHEDco, must struggle to access grants and loans to build and preserve much-needed deep and permanent affordable housing, support community development, and provide the housing stability that these communities need. In a 2018 survey we conducted in Crotona East/Morrisania3, a historically-redlined South Bronx community where we work, the need for affordable housing to rent or own was stark. Many low-income tenants and tenants of color are being harassed and displaced when banks lend to unscrupulous landlords. Of those who rent who we surveyed, nearly 30% indicated that their landlord harasses them or neglects doing repairs in their apartment. Further, more than half (54.1%) is severely rent-burdened as they pay more than half of their monthly income on rent. Fifteen percent (15%) of Black households and 18% of Hispanic households in the NY region are completely unbanked, which is over 5 times the rate of white households. It is even higher in the South Bronx. More than 24% of respondents in the community WHEDco surveyed indicated that they are unbanked.

This proposal represents the first major update of the CRA in over 25 years and we truly appreciate the regulators working together to offer several positive steps forward including more rigorous data-driven lending tests, a focus on smaller businesses, more data disclosure and analysis of bank deposits and products at the largest institutions, lending-based assessment areas, anti-displacement criteria in some community development categories and expanded discrimination downgrades to include non-credit consumer violations (e.g., opening fake bank accounts).

However, these changes fall far short of what our communities need and deserve. We cannot support the proposal without significant changes and additions. If the NPR passes as it is, the regulators will have missed this historic opportunity to ensure that the CRA meets its intended purpose to address redlining and other racial disparities in our financial systems.

The following are our recommendations to strengthen the proposal so the CRA better meets the needs of our community. We developed these nine main areas as part of the Equitable Reinvestment Coalition at ANHD and ask you to strongly consider them all:

1. Race & CRA: The CRA is a civil rights law that was passed in response to discrimination, disinvestment and redlining. As the racial wealth gap is larger than ever, we can be sure that color-blind policies do not work. The CRA must be race-conscious, with affirmative obligations to serve communities of color and include downgrades for harming these communities.

While the NPR acknowledged CRA’s origin explicitly as an anti-redlining law, we are deeply disappointed that the regulators failed to push for regulations that would have CRA to live up to its intended purpose. The NPR went so far as to acknowledge the shortcomings of the regulatory framework: “Even with the

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3 Crotona Park East/Morrisania Community Needs Assessment Summary of Findings, May 2019, WHEDco. 
implementation of the CRA and the other complementary laws, the wealth gap and disparities in other financial outcomes remain persistent.” Unfortunately, the only proposal regarding race within the examination framework is to disclose already public data that will have no impact on the final rating. Additionally, we know that income is not a proxy for race. We expect and demand more in this area.

- Regulators should create affirmative obligations to serve and benefit BIPOC people and communities, and incentivize activities that close the racial wealth gap.
- Regulators should benchmark and disclose all available data by race: home loans (HMDA), small business loans (1071 data), grants to BIPOC-led organizations, branch & community development locations, etc. Disparate trends should lead to downgrades and trigger fair lending investigations.
- Regulators should extend place-based anti-displacement criteria to all community development categories. No credit should be awarded for “displacement or detrimental effect on LMI or underserved populations”.
- Finally, regulators should expand discrimination downgrades to include such incidents of displacement or harm (“detrimental effects”) on BIPOC people and communities, such as specific branch closures, harmful landlord practices, or higher cost products that disproportionately impact communities of color.

2. **Loopholes:** The proposal fails to close existing loopholes in the CRA, and in fact creates new loopholes that could exclude banks from analysis in many areas.

Regulators must make sure that all large banks are held to the same standards, and close the loopholes that exempt “smaller” large banks with $2B to $10B in assets. The proposal exempts these smaller large banks from data disclosure, auto lending tests, and analysis of where they take deposits and types of bank accounts they offer. This comes on top of reduced obligations for 20% of banks by raising asset size thresholds that reclassify hundreds of banks into the less rigorous intermediate and small bank test categories.

- No bank classification or major product line threshold should exclude lines of business from analysis. Under the CRA now and as proposed, limited purpose credit card banks are not evaluated on the distribution or impact of their credit card loans and banks can choose not to include activities by affiliate lenders. Under the proposal, banks are evaluated on “major product lines”, defined as lines of businesses that make up 15% of a bank’s total retail dollars. Depending on the size of the loans and comparative volume, this could exclude banks making 100’s or 1000’s of loans. Lower volume product lines like HELOCs (open-ended loans) are likely to get little-to-no scrutiny across exams, which is especially problematic when banks making 500 or fewer loans don’t even report these loans to HMDA.
- Limited purpose consumer banks must be evaluated on that limited purpose; all consumer loans should be evaluated for distribution and impact; and the major product line threshold should be 15% of dollars or 50 loans, whichever is lower.
- No bank should be allowed to pass its exam if it fails up to 40% of its assessment areas, or pass in an assessment area where it fails component tests, especially in cases of displacement-financing or branch closures in already underserved LMI and BIPOC communities.
- Regulators should require all affiliate lenders to be evaluated and factor in performance by non-bank lenders with which banks have a formal relationship, especially to offer a product the bank
no longer offers. And no bank should be allowed to buy its way to a passing rating; regulators should focus on loan originations.

3. **Community input: The communities most impacted by our inequitable financial system must be central to the CRA process**

We appreciate that the regulators recognize the importance of community input, but we see few changes that would improve the system today. Currently, communities are rarely consulted and comments are too often ignored. Organizations like ours have been on the ground fighting back against harm, and often it feels like we are doing what the regulation should, and thus doing so alone, bank by bank, with limited resulting systemic change. Whether fighting speculative landlords or bank branch closures, NYC organizations have offered many examples over the past few decades of what regulators can do differently.

- Regulators should conduct a comprehensive needs assessment based on local data and community input and conduct proactive outreach to a wide range of stakeholders on needs and bank performance. Both should be used for CRA exams and applications, with details on how comments factor in. There are many examples of local research that we and other partner community and research organizations, even with their limited resources, have undertaken, from the Association for Neighborhood and Housing Development, to the Community Service Society of New York.⁴

- Regulators should consider community advisory boards within local communities to facilitate these processes.

- Regulators should encourage Community Benefits Agreements and community-informed CRA plans, and then monitor and enforce them through conditional approvals on mergers and review for CRA exams.

- Regulators should make the comment process easier and more accessible to the community so their input and experiences with the bank can be gathered and weighted into the bank’s evaluation. A portal online will not suffice. Incorporating social media and printed flyers with QR codes, in bank branches or other local partners, is key. All should be in the languages spoken by the community being served, in order to truly centralize community input.

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⁴ Gambling with Homes, or Investing in Communities. LISC, UNHP & New School University, March 2022. https://www.lisc.org/our-resources/resource/gambling-homes-or-investing-communities/;
Finally, regulators should require banks to respond in meaningful ways to specific issues raised in community comments, with the option for regulators to require specific actions should the bank not respond adequately. For example, our member organizations have commented on numerous occasions regarding branch closures in already underserved areas, as well as how a bank handles a situation with a problematic landlord who they finance. Too often, regulators are silent when the banks have ignored us, leaving community residents to fend for themselves against an inequitable financial system, and discouraging community members from providing input going forward.

4. Retail Lending Test – Mortgage Lending: must increase access to affordable mortgages for LMI and BIPOC people to access and maintain homeownership

Homeownership remains an important path to wealth creation and developing intergenerational wealth. Yet, too often BIPOC communities are locked out of homeownership opportunities, targeted with predatory products, and face limited opportunities to accumulate wealth due to lower appraisal values. Only about eight percent (8.4%) of respondents we surveyed in one of our South Bronx neighborhoods own their own home: over nine of 10 respondents rent, leaving many of them and their families at risk of displacement. We appreciate the proposed data-driven framework and acknowledge that it could combat grade inflation, but we have concerns about its overall impact, without significant changes.

- Regulators must prioritize owner-occupied homes over investor-owned properties, and focus on originations, not loans banks purchase from other lenders. Any evaluation of investor properties must focus on their impact on communities, ensuring they build wealth for BIPOC communities while not fueling harm or displacement for these populations.
- Regulators should adopt a similar approach for purchased loans and require banks to demonstrate how they increase affordable, accessible lending to LMI and BIPOC borrowers. Similarly, regulators should evaluate who gets loans in LMI/BIPOC communities to ensure they are benefiting - and not displacing - LMI and BIPOC people.
- Regulators must incorporate an analysis of loan pricing and terms of consumer products to ensure products are meeting local needs and not extracting wealth. This is especially the case for open-ended HELOC loans, but pertains to all loans.
- Likewise, regulators should evaluate how well loan products match local needs. For example, is a bank offering HELOCs when communities call for traditional home repair loans? Do they include limited equity coops where needed? Has a bank ceased to offer loans that communities need, as is the case with the many banks that stopped making mortgages?
- Finally, regulators must not allow a race to the bottom, as could happen in a high-cost market like NYC where a bank can pass with just 1.4% of home loans to low-income borrowers, who make up 27% of NYC’s population. The proposed considerations for “market failures” should be adopted and apply to New York City, even with the high cost of housing.

5. Retail Lending Test – Small Business Lending: must increase access to the loans and lines of credit very small and BIPOC-owned businesses have long been lacking

We support the proposed analysis of loans to businesses under $250,000 in revenue and suggest adding a category for businesses under $100,000 in revenue as well. However, we are concerned that the new
definition of “small business” will give credit for lending to businesses with up to $5 million in revenue. 90% of businesses in NYC – and 93% of businesses in LMI tracts – have less than $1 million in revenue; surveys consistently demonstrate the unmet credit needs of businesses well below that size. Under the CRA today, banks already get credit for “small business” loans defined as loans under $1 million, in which a significant volume goes to businesses over $1 million in revenue.

We understand the intent to match reporting under Dodd Frank Section 1071, which incorporates businesses up to $5M revenue, but that is simply to capture as many loans as possible for a racial equity analysis. **Fewer than four of 10 small businesses in the Bronx accessed the forgivable federal PPP loans being administered by banks in their communities.**⁵ There is a high need for low-cost, flexible loans to match the needs (language, loan size, and terms) of the majority BIPOC-owned small businesses we serve. The CRA must focus on unmet credit needs which fall among BIPOC-owned businesses and businesses under $1 million in revenue, and smaller sizes within that. The distribution test will give credit for any of the small business loans in LMI tracts, but with no analysis by race of owner or business size, loans could skew towards larger and/or white-owned businesses and less so to persistently underserved small, micro, BIPOC-owned, and immigrant-owned businesses.

- As such, regulators must focus on small and BIPOC-owned businesses in LMI/BIPOC communities, to ensure they are benefiting - and not displacing - these marginalized business owners.
- Regulators must include analysis of pricing and terms of loans to ensure products are meeting local needs and not extracting wealth, as could be the case with high-interest credit cards, or other higher-cost products.
- Likewise, they should compare the types of loans made to local needs. Since the data is available, regulators should also evaluate loan types separately (credit cards serve). For example, small business credit cards a purpose but are not as impactful or in has high demand as the more-needed traditional loans and lines of credit.
- The exam must evaluate and prioritize small loans to very small businesses, BIPOC-owned businesses, and lending in underserved communities. This can be done by looking at low- and moderate-income communities separately; categories of loan size and business size; lending by race/ethnicity of owner and in communities of color; originations vs purchases.
- Regulators can evaluate how well banks support small businesses in other areas of the CRA as well, such as loans and investments in CDFIs or MDIs identified as meaningfully serving BIPOC, low-income, and immigrant communities; supporting technical assistance; and providing direct grants to small businesses (by the bank or through a nonprofit). Banks that prioritize larger businesses, bypass immigrant communities or borrowers of color, or rely only on credit card loans should be downgraded. Banks that demonstrate responsive products and practices should get positive credit.
- Regulators can also evaluate how banks responded to COVID, and who they served, with grants, loans like the Paycheck Protection Program and others, debt relief, and more.

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6. **Responsible Multifamily Lending: The CRA must create incentives for responsible multifamily lending and downgrade banks for financing landlords that harm and displace LMI and BIPOC tenants.**

Nearly two-thirds of New York City residents are renters, with just about half of all tenants living in private, unsubsidized rent-stabilized housing that is typically more affordable and more protected than market-rate housing. Responsible lending is critical to maintaining this stock of housing, whereas unsustainable loans, and loans to landlords that harass and displace tenants or keep buildings in poor conditions threaten this important stock of housing. While we appreciate the proposal’s intent to ensure unsubsidized (“NOAH”) housing remains affordable, even post-renovation, it barely moves the needle on what is needed to deter displacement and preserve safe, stable, affordable housing.

- Regulators must do better by conducting a comprehensive evaluation of multifamily mortgage lending for distribution, affordable units, building conditions, and underwriting.
- They should give credit for adopting and adhering to anti-displacement best practices like ANHD’s Multifamily Best Practices and NY State’s Department of Financial Services’ guidance and downgrade for incidents of harm and displacement of LMI and BIPOC tenants.
- Regulators should require banks to respond to issues raised in comment letters or other communications from tenants through tenant associations and/or community organizations.

7. **Access to Banking & Consumer Lending: The CRA must do a better job increasing access to banks and banking in already underbanked BIPOC communities, with penalties for closing or not serving at all.**

*The Bronx has the lowest concentration of bank branches per household in the country, and the largest concentration of unbanked households in New York City.* In the current proposal, analysis of bank branches, bank products, and access to banking are just one piece of an already small section of the CRA exam, made even smaller in the proposal. Branches must remain a core component of the retail services test. There must be stronger consequences for closing branches in underbanked LMI and BIPOC communities, including downgrades, especially when communities provide comments about the impact of the branch closure and/or lack of branches. However the weighting is finalized, no bank should pass its exam if it fails to serve communities with branches and affordable/accessible products.

- Regulators should require banks to demonstrate specific steps taken to avoid closure through improved services and outreach, and actions taken to mitigate harm should a branch close.
- Regulators should evaluate all banks (not just those with over $10B in assets) on where they take deposits, the quality of their banking products, and usage of affordable products.
- Finally, in the retail lending test and services tests, all consumer loans must be evaluated for equitable distribution, and quality, with incentives for impactful activities and downgrade for wealth extraction and harm.

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8. Community Development Finance: Loans, Investments, Grants: must increase access to financing for projects that benefit LMI and BIPOC people and communities, especially where bank financing is hard to access. Don’t combine loans & investments. There must be downgrades for harm

Community organizations, nonprofit developers, and CDFIs depend upon bank financing leveraged through the CRA to support their missions. We appreciate the attention to volume, the impact review incentives for deeper affordability and grants, and new categories specific to broadband access and climate resiliency. Still, more can be done to ensure that any activity that gets credit benefits local communities, and that banks are deterred from activities that cause harm.

- First, regulators should evaluate loans and investments separately within the community development finance test to ensure banks don’t cease to make investments. We are most concerned about the possible impact on Low Income Housing Tax Credit (LIHTC) investments, which are a critical source of equity for affordable housing. The investment test also incentivizes other forms of investments, such as EQ2 investments and grants, which could also be impacted if investments aren’t required.

- Further, while we appreciate that adding credit for prior-period loans may incentivize longer-term patient capital, the change cannot allow banks to substantially reduce originations of impactful loans, nor give additional credit for less impactful activities. This would come on top of credit they already get each time they renew or refinance the loan. Regulators should assess if the prior term credit is for activities that would not have been done without such incentive.
  - For example, the majority of commercial multifamily mortgages to private landlords are already longer than a CRA cycle and do not need further incentives. Worse, without stronger anti-displacement criteria in the affordable housing category, a bank could conceivably get credit over multiple exam cycles for a loan to a landlord that maintains a building in poor condition, harasses, and/or displaces tenants. Alternatively, a nonprofit developer may not have the same access to similar types of financing or other long-term loans, both of which they need and for them to be offered with more affordable rates and terms.

- Regulators should expand the impact review to include activities that close the racial wealth gap; finance long-term/permanent affordable housing; support mission-driven nonprofit developers; and support activities that explicitly connect to locally identified needs.

- Regulators should also ensure that banks don’t get credit - and definitely not “extra credit” - for housing in lower-income communities that is identified as too expensive for the local community.

- Additionally, regulators should reconsider the presumption that any government plan benefits local communities. While that may be true in some cases, there are also many instances when government plans run counter to local LMI and BIPOC community needs, and banks should not be incentivized to further such plans. Proactive outreach and community input can inform the benefits and harms of specific activities presented for CRA credit.

- There must be no credit for activities that do not explicitly benefit LMI or BIPOC people, LMI communities, and majority BIPOC communities.

- Finally, regulators must extend the stronger anti-displacement criteria to all community development categories (not just place-based categories) and allow downgrades for activities discounted by those criteria or otherwise found to contribute to displacement or harm.
9. **Assessment Areas / Local input:** In addition to maintaining branch-based assessment areas and adding new lending-based assessment areas, regulators must also add assessment areas based on where banks take deposits and open accounts, and assess lending and banking in all assessment areas.

We are pleased that the regulators kept branch/ATM-based assessment areas to evaluate how banks perform where they have a physical presence. We are also excited to see new lending-based assessment areas to evaluate the equitable distribution of 1-4 family mortgages and small business loans outside of where banks have branches.

- Going further, regulators should create deposit-based assessment areas for all large banks based on where they take deposits and open accounts. Not doing so goes counter to the original intent of the law, which was to make sure banks lend where they take deposits. It also runs counter to the intent to incorporate new models of banking. Under the system as proposed, online banks have no obligation to equitably serve any local communities, including unbanked areas of a large city like New York.

- Regulators should also ensure banks are lending and providing access to banking equitably within all new online assessment areas.

- Banks should also be providing community development finance in these areas they serve, and do so in a way that “expands the pie”, such that they do not reduce service to areas they serve with branches.

- Finally, regulators must ensure banks are serving communities equitably within branch-based and online assessment areas. For example, several BIPOC communities (including much of the Bronx, Southeast Queens, and Cypress Hills) are persistently underserved by banks despite falling within a very well-banked assessment area overall.

**Conclusion**

Thank you for the opportunity to comment on the CRA proposal. The CRA is one of the most important laws this nation has to ensure banks are responsive and accountable to the needs of communities like ours in the Bronx. **WHEDco is a BIPOC-led nonprofit community development organization that is on the front lines of addressing historic and systemic racial biases** that have caused housing and economic instability, banking disinvestment, federal government-led redlining, and predatory and extractive practices in the Black and Brown communities we serve. The impact of this reality has been even more shamefully evident since the 2020 COVID-19 pandemic: **Bronx residents not only have had to fight to stay alive as the frontline workers and first responders serving the City, but have faced undue financial and economic insecurity, exacerbated by banks’ unchecked abandonment and disinvestment during crisis.**

For all the many benefits the CRA has brought, it still has a number of key next steps to take to fulfill its core original intention as an anti-redlining law. As stated above, we appreciate several strong components of the proposal, but we cannot support it without significant changes. Low- and moderate-income and BIPOC communities like those where we live and serve, deserve equal access to affordable, accessible banking and credit; safe, affordable housing; quality jobs; and community services. The CRA must be strengthened with a robust analysis of race, quality and quantity, community input, and keeping a strong local commitment.
Now is the time to create a strong, race-conscious CRA that requires and provides incentives to banks for positive activities, downgrades banks for harm and displacement of vulnerable families, keeps community input central to the process, and maintains and strengthens local obligations. On behalf of the 1.5 million Bronx residents who enrich New York City, New York State and this nation, thank you for attending to our comments. Please contact me at 718-839-1100 or community@whedco.org if you have any questions.

Sincerely,

Davon Russell, President
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