

Date: 8/5/22

Re: CRA NPR Feedback

To the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve Board,

Habitat for Humanity of Metro Denver appreciates the opportunity to comment on the Notice of Proposed Rulemaking (NPR) regarding updating the Community Reinvestment Act (CRA). This NPR represents the most significant changes to the CRA regulation and exams in 27 years.

Habitat Metro Denver helps low-income families access safe, stable, and affordable homeownership. Families and individuals in need of a hand up partner with Habitat to build or improve a place they can call home and pay an affordable mortgage. As part of a national network of over 1,100 local and state affiliates working in all 50 states, Habitat has gained broad perspective on the credit needs of low-income families and under-invested communities.

Since its enactment, the CRA has been instrumental in supporting Habitat's affordable homeownership activities, especially our work to extend opportunities to low-income homebuyers in under-served communities. The CRA plays a crucial role in building partnerships between Habitat Metro Denver and our local banks. The CRA motivates banks to purchase the below-market-rate mortgages we provide to low-income homebuyers. Habitat reinvests proceeds from loan sales to increase our production of affordable for-sale homes for low-income buyers. But while the CRA has been a critical tool for encouraging investment in affordable homeownership and revitalizing communities, improvements are needed to help banks and community organizations address persistent gaps in access to credit.

Any changes to implementation of the CRA must ultimately do more to reduce credit inequities for low- and moderate-income communities, including lower-income households of color. The Notice of Proposed Rulemaking (NPR) must take positive steps in this direction, proposing multiple improvements that will make the CRA stronger and more effective. These include: the introduction of helpful impact review factors to better assess the responsiveness of Community Development activities; the creation of new "Retail Lending Assessment Areas" to cover large banks without branches (such as online banks) and communities without branches; the use of local, peer-group benchmarks to assess large bank retail lending; the inclusion of Special Purpose Credit Programs (SPCPs) as an example of a responsive credit product or program that would lead to a more positive evaluation of a bank's retail services and products; requiring broader collection of Home Mortgage Disclosure Act (HMDA) data; and disallowing CRA consideration for revitalization activities that displace or exclude low- or moderate-income residents.

Additional changes are needed as well. Chief among these are additional, proactive steps to encourage banks to meet the full credit needs of low- to moderate-income households of color.

1) CRA exams must consider race in their analysis of bank performance. A recent [national level analysis](#) showed continuing disparities in loan denials and equity accumulation rates by race. This should compel the agencies to incorporate race and ethnicity in CRA exams. [Research shows](#) that it is possible for changes to CRA to comply with legal standards if CRA examined lending by race and ethnicity in geographical areas experiencing ongoing discrimination. By including race and ethnicity, CRA can identify and address persistent racial disparities that have direct impacts on quality of life and health outcomes.

2) CRA administering agencies must consider public feedback on bank performance. Since CRA requires banks to meet the needs of communities, the agencies must elevate the importance of public comments giving feedback on how well banks meet those needs. The agencies proposed to continue the current practice of sending any comments on CRA performance to banks and are also considering publishing comments received on agency websites. We urge the agencies to post comments on their websites and establish a public registry for community organizations to sign up if they wish to comment on CRA performance. In addition, we ask that the agencies publish a list of organizations that comment and that the agencies identify those led by people of color and women in an effort to seek input from a diverse range of organizations.

3) Continue to reduce CRA rating inflation. The agencies bolstered the rigor on the large bank retail lending test by introducing performance ranges for comparisons among a bank's lending and demographic and market benchmarks. This approach would decrease ratings inflation and result in more failing and low satisfactory ratings on the lending test. As a result of this proposed reform, several banks would likely respond by boosting their retail lending to underserved communities. The other large bank tests such as *community development finance and services* include improvements but need to be further developed to guide examiners against inflating ratings.

4) Ensure that community development and automobile activities are publicly available. The agencies correctly proposed to include new data collecting requirements for deposits, community development activities and automobile lending. Some of this data such as deposit and automobile lending would not be publicly available, which limits the extent to which the public can hold banks accountable. We ask the agencies to reconsider this decision and also to expand this data collection to all large banks.

5) Ensure that CRA exams do not overlook small and rural assessment areas. Advocates have urged the agencies to examine lending that occurs online. The agencies proposed to create assessment areas where a large bank does not have branches when a bank has issued 100 home loans or 250 small business loans. This proposal would result in the great majority of total lending being incorporated on exams and would therefore hold banks more accountable for serving low- and moderate-income communities. However, the agencies must further ensure that exams do not overlook assessment areas containing smaller metropolitan areas and rural counties.

6) Hold medium-sized banks to the same standard as large banks. The agencies proposed to eliminate certain subtests for about 1,000 medium-sized and smaller banks that would eliminate their accountability for providing

community development finance and branches in underserved communities. These changes lack justification since these banks have been successfully performing these activities for several years. We urge the agencies to eliminate this aspect of the NPR since it would reduce reinvestment activity.

In summary, the NPR is a good start and promises to make parts of CRA exams more rigorous but we urge the agencies to extend the rigor of the large bank lending test to the other tests, incorporate race in CRA exams, expand the public reporting of their data collection proposals and to incorporate the other improvements discussed above. If CRA is improved while maintaining public input and accountability, we believe the proposed rule could help reduce inequalities, disinvestment and other disadvantages in America's overlooked communities.

Sincerely,

Maria Sepulveda
Habitat for Humanity of Metro Denver