MCRC Maryland Consumer Rights Coalition

August 5, 2022

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RE: Community Reinvestment Act Proposed Rulemaking [87 FR 33884]
OCC: 12 CFR Part 25; Docket ID OCC-2022-0002; RIN 1557-AF15
Federal Reserve: 12 CFR Part 228; Regulation BB Docket No. R-1769; RIN 7100-AG29
FDIC: 12 CFR Part 345; RIN 3064-AF81

To Whom it May Concern:

The Maryland Consumer Rights Coalition (MCRC) applauds the efforts of federal regulators to modernize the Community Reinvestment Act (CRA) to ensure it drives reinvestment in redlined communities. MCRC is a statewide coalition of individuals and organizations that champions economic rights and housing justice through research, advocacy, and direct service. Our 8,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland. MCRC's Securing Older Adult Resources (SOAR) program assists older adults in applying for government benefits, providing financial counseling for clients in crisis, and offering financial coaching to clients working towards a specific goal. In 2019, MCRC absorbed the Fair Housing Action Center of Maryland (formerly known as Baltimore Neighborhoods Inc.), adding Fair Housing Enforcement and Tenant Advocacy to our programming.

The current CRA regulations have failed Baltimore City and the prosed rule will not make a difference. The racial and economic patterns created by redlining are just as strong today as they were in 1977. Compare the 1937 Residential Security Map of the Baltimore Area with a current geographic analysis of Baltimore's racial demographics, income, wealth, homeownership rates, or life expectancy, and you will see the same basic pattern that was codified by the Federal Housing Administration in 1937 still persists today -- 45 years after CRA passed into law. Dr. Lawrence Brown describes this phenomenon as the Black Butterfly and the white L in his book, the Black Butterfly, The Harmful politics of Race and Space in America. Unfortunately, the new CRA proposed regulations fail to adequately consider the key issue: race.

Although the CRA statute does not explicitly mention race, it was passed as a measure to remedy and prevent racial discrimination. It required banks to serve all communities, which provides room for the federal bank agencies to incorporate race in CRA exams in order to ensure this end is met.

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As the director of Maryland's only dedicated fair housing and lending enforcement program, I have far more serious fair lending concerns than I have organizational capacity to investigate: Baltimore banks disproportionately close branches in the Black butterfly; there are lenders with mortgage denial rates for Black applicants more than six times that of white borrowers; the largest bank in town holds 46% of the City's deposits but originates less than 3% of home loans here. This is not a case of a few bad actors in an otherwise healthy market. A 2015 study conducted by the National Community Reinvestment Coalition (NCRC) found the following:

- ***Disinvestment in most of the City and affluence in the suburbs.*** *Baltimore and the surrounding suburban counties show very different patterns of home purchase and small business lending.*
- ***In the suburbs, economics matter the most in mortgage lending.*** *The factors that are most useful in predicting home purchase lending activity are economic: median family income and the level of owner-occupancy in a neighborhood.*
- ***In Baltimore City, race matters most in mortgage lending.*** *Consistently across models, the most statistically significant factor in predicting mortgage lending is race. Mortgage lending is greater in neighborhoods with larger white than African American populations.*

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- ***There are tremendous disparities in home lending for African American and white residents of Baltimore City****. The disparity ratio of loans to percentage of population is 210 percent for whites and 37 percent for African Americans.*

- ***It's much harder to get a mortgage loan in the poorer neighborhoods****. In Baltimore City, 70 percent of census tracts are low-to-moderate income (LMI), yet it is very difficult for borrowers of any income to be approved there, especially if they are African American.*

- ***Mortgage lending flows to wealthier areas.*** *An LMI applicant is 30 percent more likely to be approved for a mortgage loan in a middle- or upper-income area of Baltimore County than in an LMI neighborhood of Baltimore City*[1].

Every bank operating in the Baltimore market should be subject to a thorough fair lending compliance evaluation that examines branching patterns, analyzes HMDA and small business loan data, and reviews products available in given geographies, and marketing patterns. These are the exact same data sets that are analyzed on a CRA performance evaluation every 3-5 years. It is imperative that CRA performance evaluations be used to systematically illuminate and eliminate the discriminatory policies and practices that still shape our housing and credit markets. To date, the federal government has largely outsourced this work to nonprofits who are wildly under resourced for the task. Attempts to build enforcement capacity through FHIP and PEI initiatives cannot match the possibilities of a systemic fair lending review regularly conducted by federal regulators.

Redlining was not race neutral, so the regulations intended to stop it can't be race neutral. This rulemaking is a once in a generation opportunity to ensure the Community Reinvestment Act is accomplishing its goal. We urge regulators to direct the immense resources of the federal government to systemically rooting out bias and discrimination in our credit markets.

Thank you for the opportunity to comment on this important matter. Please feel free to contact me with any questions at Robyn@marylandconsumers.org .

Sincerely,

Robyn Dorsey
Fair Housing Director
Maryland Consumer Rights Coalition

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1 Home Mortgage and Small Business Lending in Baltimore and Surrounding Areas. NCRC. November 2015.