August 5, 2022

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RE: Community Reinvestment Act [Docket ID OCC-2022-0002; Docket No. R-1769 and RIN 7100-AG29; RIN 3064-AF81]

To Whom It May Concern:

I am writing on behalf of Accessity, a nonprofit 501c3 Community Development Financial Institution that has been serving the Southern California small business community with access to capital and education since 1994 (formerly Accion San Diego).

We appreciate efforts by federal agencies to solicit comments and to make thoughtful changes to the Community Reinvestment Act through this proposed rulemaking. However, we believe that this was a missed opportunity to address inequities that persist in our communities.

The rule explicitly references the practice of redlining and emphasizes the lasting impact of redlining on communities of color, including a persistent racial wealth gap. The proposed rule states that "even with the implementation of the CRA and the other complementary laws, the wealth gap and disparities in other financial outcomes remain persistent. For example, 'data from the 2019 Survey of Consumer Finances (SCF) show that long-standing and substantial wealth disparities between families in different racial and ethnic groups were little changed since the last survey in 2016; the typical White family has eight times the wealth of the typical Black family and five times the wealth of the typical Hispanic family.'

In 1968, a decade prior to the enactment of the CRA, a typical middle-class Black household had $6,674 in wealth, contrasted to a typical middle-class white household which had $70,786 in wealth. Data from 2016 shows that the racial wealth gap is actually ***expanding***: a middle-class Black family has $13,024 in wealth, in comparison to a middle-class white family's $149,703 in wealth.

These recommendations would both increase transparency and evaluate financial institutions in meeting the needs of communities of color.

1. Assessing bank performance through percentage of home lending to Black, Indigenous, and people of color borrowers,
2. Use race to determine additional assessment areas,
3. Analyze lending by race and ethnicity in underserved neighborhoods in all CRA exams (including community development financing and retail lending),
4. Considering a bank's creation and deployment of Special Purpose Credit Programs,
5. Use Section 1071 race data on small business lending in CRA exams.

Economic inequities persist among communities of color: The last time the CRA was substantially updated was in 1995. Since then, the financial system has changed, with expanded online banking and interstate lending, while racial disparities in lending and wealth creation have persisted or worsened. The modern day impacts of redlining on communities of color are visible in the continued denial of home mortgage loans, higher interest rates and fees, predatory lending, higher home insurance rates, and lower home appraisals. These racial disparities point to a need to implement bold changes to the CRA that target increasingly overburdened communities. This is the time to ensure that underserved communities are accessing the investments and capital they need to build wealth and financial security.

Currently, women of color account for 89% of new businesses opening every day; Black women are more likely to launch a new business than a white person, but Black entrepreneurs are twice as likely to be denied a bank loan than a white entrepreneur. Further, the COVID-19 pandemic accelerated the wealth gap leaving many entrepreneurs of color out of PPP lending. Approximately 41% of Black-owned businesses, 36% of Latinx-owned businesses, and 25% of AAPI-owned businesses went under in the first three months of the pandemic.

The racial wealth gap is also present in homeownership. In the second quarter of 2020, the U.S. Census Bureau shows data that Black Americans have the lowest rate of homeownership. Black Americans have a 47% rate of homeownership, compared to white Americans having a rate of 76%. Data from the Home Mortgage Disclosure Act (HMDA) shows that in 2020, lenders denied mortgages for Black applicants at a rate 80% higher than white applicants. Home equity is often used as a means for small businesses to access capital and if they do not own homes they cannot demonstrate this.

The Community Reinvestment Act has been effective: The CRA was conceived as a direct response to redlining, and has proven critical to ensuring fair access to credit for all. In fact, since 1996 banks covered by the CRA have invested more than $980 billion in historically underserved zip codes. The CRA has served as a public accountability and powerful motivator to increase reinvestment activities over the years. $728.5 billion in mortgage lending went to LMI borrowers in the Los Angeles, San Diego, San Jose, and San Francisco areas with $21.6 billion going to businesses and $78.8 billion going to small businesses.

Accessity's mission for almost 30 years has been to open doors of financial opportunity to those historically with less access to capital and business support: entrepreneurs of color, women, immigrant, and low-to-moderate income entrepreneurs, so they can build a prosperous business and livelihood for themselves and their families, while also strengthening our communities. Through Accessity's loan program we currently support almost 1,000 small businesses in Southern CA, with an active loan portfolio of almost $17miillion. By offering flexible loans from $300 to $100,000 we empower both start- up and existing small business owners with the access to capital, as well as a network of community resources and education, to live out their dreams, support their families and create positive economic and social impact on our communities.

Accessity's program has historically been supported by many banking institutions through various CRA qualified investments, grants and volunteer opportunities. The capital, investment and expertise has provided the organization funds, capacity and skill to grow and sustain our programs, ultimately allowing the organization to have greater impact on diverse and low-to-moderate income communities throughout Southern CA.

Since CRA requires banks to meet the needs of communities, the agencies must also elevate the importance of public comments regarding the extent to which banks meet 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 also to establish a public registry for community organizations to sign up if they wish to comment on CRA performance.

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, some 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.

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.

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.

1995 was the last time the CRA was substantially updated and the financial system has changed, with expanded online banking and interstate lending, while racial disparities in lending and wealth creation have persisted or worsened. Data shows the importance of the CRA to ensure that underserved communities are accessing the investments and capital they need to build wealth and financial security.

Thank you for your efforts and please let me know if you have any questions.

[redacted]

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