Federal Deposit Insurance Corporation
3501 North Fairfax Drive
Arlington, VA 22226
Re: Notice of Proposed Rulemaking, Community Reinvestment Act Regulations, docket (R-1769) and RIN (3064-AF81)

To Whom it May Concern:

The African American Alliance of CDFI CEOs (the Alliance) appreciates the opportunity to comment on Docket ID OCC-2022-0002, the "Notice of Proposed Rulemaking on Reforming the Community Reinvestment Act Regulatory Framework," the most comprehensive update to the CRA regulation and exams since 1995. As financial leaders directly serving diverse communities, the Alliance is a membership-driven intermediary organization of over 64 Black-led CDFIs that aims to: build the capacity of member organizations; build bridges to economic stability, well-being, and wealth for Black individuals, families, and communities; and build power in Black communities by challenging and influencing financial sectors to operate more equitably.

Since it was enacted in 1977, CRA has been one of the most impactful federal policies for affordable housing and community development financing. Between 2009 and 2020, banks have made more than $2.58 trillion in home loans to low- and moderate-income (LMI) borrowers or in LMI census tracts and $856 billion in loans to small businesses with revenues under $1 million.[1] The latest CRA regulatory proposal builds upon this progress and the Alliance believes the following reforms will be instrumental in meeting the CRA's goal of meeting the credit needs of LMI communities:

- *Inclusion of CDFIs in the proposed list of Impact Review Factors*. Current CRA guidance allows bank examiners to determine the extent to which a bank's community development activity is responsive to the credit needs of LMI communities. In the interest of transparency, the proposal calls for a list of impact-review factors for the qualitative evaluation of community development activities, with one of the impact review factors corresponding to activities undertaken in partnership with Black-led CDFIs. This is an acknowledgement of the critical role these institutions play in meeting the unique capital and credit needs of underserved communities.

- *Updated assessment areas that reflect innovations in the financial services industry*. Regulators will continue to use "facility-based assessment areas," which are delineated by

[1] CRA Qualified Lending 2009-2020 | Tableau Public

a bank's deposit-taking networks, as the primary factor for determining if banks are meeting their CRA obligations. However, the proposed rule would provide banks with consideration for activities in areas where they have a concentration of retail loans and aggregate CRA-related activity in LMI areas across the entire country.

- *Expanded consideration of community development activities conducted outside of bank assessment areas*. Bank branch locations do not always align with the neighborhoods most in need of investment, and this is particularly true for the communities many CDFIs serve. The proposed geographic flexibility can help bring community development capital to more neighborhoods. That said, the Alliance would oppose any efforts to close bank branch locations in underserved communities.

- *Increased reliance on data transparency*. A CRA review process that is driven by data will give banks, regulators, and the public a more comprehensive understanding of lending and investment activity taking place across the country. Specifically, data related to race and ethnicity of borrowers, bank deposits, and small business lending statistics, will highlight the gaps in financial services in underserved communities and hopefully spur economic activity in those areas. However, this quantitative data must be accompanied by more flexible qualitative reviews to tailor innovative solutions to combat the challenges faced by specific communities.

Though the proposed reforms to the CRA are certainly a step in the right direction, they do not fully address the ugly legacy of redlining and its role in widening the racial wealth gap in the U.S. 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.[2] Data from 2016 shows that the racial wealth gap is actually expanding, with a middle-class Black family holding $13,024 in wealth, relative to a middle-class white family's $149,703 in wealth.[3] The racial homeownership gap is key to understanding racial wealth disparities in the U.S. According to the National Community Reinvestment Coalition in 2018, only 42 percent of Black people owned homes, compared to 73 percent of whites during the same period.[4] Not surprisingly, the denial rate for mortgage loans for Black applicants is nearly double that of whites and Black property values are often significantly lower than that of Whites.[5] These factors adversely impact funding for public education and, by extension, educational attainment in Black communities. These disparities translate to billions of dollars of unrealized Black wealth and results in Black Americans settling for lower paying jobs at a higher rate than of white Americans.[6] Sadly, by the time Black Americans reach retirement age, they have accumulated about $1.1 million less than their White counterparts.[7] Unfortunately, the racial homeownership gap is not

[2] Income and Wealth Inequality in America, 1949-2016 | Opportunity & Inclusive Growth Institute (minneapolisfed.org)
[3] Income and Wealth Inequality in America, 1949-2016 | Opportunity & Inclusive Growth Institute (minneapolisfed.org)
[4] 60 percent Black Homeownership: A Radical Goal for Black Wealth Development » NCRC
[5] Why the homeownership gap between White and Black Americans is larger today than it was over 50 years ago (cnbc.com)
[6] https://himarkcapital.com/opinion-the-2-cent-solution
[7] https://apps.urban.org/features/wealth-inequality-charts/

the only driver of the persistent racial wealth gap in the U.S. Additionally, though more than 2.2 million jobs are held by persons who find themselves either directly or indirectly employed by National Minority Supplier Development Council-certified Minority Business Enterprise (MBE)s, it is often difficult for many minority-owned businesses to expand and grow due to lack of financing.[8] The 2021 Small Business Credit Survey found that Black-owned firms that applied for traditional forms of financing were least likely to receive all the financing they sought – 40 percent of white-owned firms received all the financing they sought, compared to 31 percent of Asian-owned firms, 20 percent of Hispanic-owned, and only 13 percent of black-owned firms. This trend persists even amongst Black-owned firms with good credit scores.[9] A major reason for these disparities is fewer branches in communities of color and less competition among banks in those communities, which reduces choices for affordable bank products.[10]

For CRA to meet its goal of increasing bank reinvestment activity more effectively in underserved communities, it must meaningfully address the drivers contributing to the persistent racial wealth gap, promote the importance of community development finance and service responsibilities for all banks, and ensure that its designations of eligible activities are clear and serve important community needs, such as affordable housing.

Summary of Alliance Positions

CRA exams must explicitly consider banks' records in serving people of color and communities of color

Although the CRA statute does not mention race, it required banks to serve all communities, which provides room for the federal bank agencies to incorporate race in CRA exams. However, if CRA is to properly address the persistent racial inequality plaguing the Black Community, it is imperative for its exams and ratings to explicitly consider bank activity by race and ethnicity. A recent national level analysis showed continuing disparities in loan denials by race and when people of color receive home loans, their equity accumulation was less.[11] The public information in the fair lending review on CRA exams has been cursory and has usually consisted of a few sentences stating that no discrimination was found.[12] The federal government instituted redlining practices in New Deal housing programs and which was later adopted on a widespread basis by the Federal Housing Administration (FHA) and the private sector. Persistent racial disparities in lending must compel the agencies to incorporate race and ethnicity in CRA exams. As stated in our joint letter with Pacific Community Ventures, a focus on LMI communities only, without specific requirements to target BIPOC borrowers, does not achieve racial equity.

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[8] https://www.nmsdc.org/wp-content/uploads/Economic_Impact_Report_FINAL.pdf
[9] https://www.fedsmallbusiness.org/medialibrary/FedSmallBusiness/files/2021/sbcs-report-on-firms-owned-by-people-of-color
[10] Kristen Broady, Mac McComas, and Amine Ouazad, An analysis of financial institutions in Black-majority communities: Black borrowers and depositors face considerable challenges in accessing banking services, Brookings Institution, November 2021, https://www.brookings.edu/research/an-analysis-of-financial-institutions-inblack-majority-communities-black-borrowers-and-depositors-face-considerable-challenges-in-accessing-bankingservices/
[11] NCRC 2020 Home Mortgage Report: Examining Shifts During COVID » NCRC
[12] https://ncrc.org/adding-underserved-census-tracts-as-criterion-on-cra-exams

The agencies proposed to use the Home Mortgage Disclosure Act (HMDA) data to produce exam tables describing lending by race, but not to use the results of these analyses to influence a bank's rating. The National Community Reinvestment Coalition (NCRC) had asserted in a paper co-authored by Relman Colfax PLLC that changes to CRA would comply with legal standards if CRA examined lending by race and ethnicity in geographical areas experiencing ongoing discrimination or exhibiting significant racial disparities in lending.[13] NCRC had also proposed including analyses of lending in underserved neighborhoods with low levels of lending.[14]

While we believe the agencies can examine banks' record of lending to race, the agencies should at least bolster fair lending reviews accompanying CRA exams for banks that perform poorly in the HMDA data analysis of lending by race. In addition, the agencies proposed using 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 and combat the ugly history of redlining in our country and its impact on communities of color.

To this end, incorporating race into the CRA can be accomplished by adding racial demographics to the list of factors to consider when delineating assessment areas. Another option is the creation of specific benchmarks and metrics to evaluate lending and services to those communities and geographies within the retail lending, retail services, community development financing and community development services subtests of CRA evaluations. A third option is the incorporation of HMDA data analysis of lending by race into an institution's CRA performance in those identified geographies/assessment areas. Finally, as noted by Alliance member, Hope Enterprise Corporation/Hope Credit Union/Hope Policy Institute (HOPE), race may also be included among the factors considered in lending tests and impact reviews would be to utilize the "other targeted population" framework already provided for in the Riegle Community Development and Regulatory Improvement Act of 1994. The Act's definition of "targeted populations," can either be individuals who are low-income or others who "lack adequate access to Financial Products or Financial Services in the entity's Target Market." This latter category is codified as "Other Targeted Population" in the CDFI Fund Certification Guidance. It is defined as "African-American, Hispanic, Native American, Native Alaskan residing in Alaska, Native Hawaiian residing in Hawaii, Other Pacific Islander residing in Other Pacific Islands, People with Disabilities and Certified CDFIs.[15]" The Fund allows other populations to be considered in this category only if "approved by the CDFI Fund before they can be included as part of an entity's Target Market for CDFI Certification purposes.[16]"

Use performance measures assessing lending to people of color

On an interagency basis, the federal bank agencies should conduct periodic statistical studies and identify metropolitan areas and rural counties that either experience ongoing discrimination or exhibit significant racial disparities in access to credit. In the geographical areas with significant

[13] Adding Robust Consideration of Race to Community Reinvestment Act Regulations: An Essential and Constitutional Proposal » NCRC

[14] Adding Underserved Census Tracts as Criterion on CRA exams » NCRC

[15] 12 CFR § 1805.201(b)(3)(iii)(a).

[16] CDFI Fund, CDFI Certification Application (For Public Comment Only), May 2020, https://www.cdfifund.gov/sites/cdfi/files/documents/cdfi-certification-application-for-comment-may-2020.pdf. Page 56.

disparities, like the Deep South, fair lending performance measures like percent of loans to people of color could contribute to CRA ratings.

As noted by NCRC, the performance measures could receive separate ratings or scores and thereby contribute to the ratings for the subtests and for the overall rating. Alternatively, the performance on the racial and ethnic measures could boost a rating if the performance is commendable. We would prefer the first alternative but offer the second in the interests of presenting various options for assuring success against a strict scrutiny standard. Of course, as occurs currently in federal CRA evaluations, if a fair lending review uncovers discrimination, the CRA exam should lower a bank's rating, particularly if the discrimination is not confined to a rogue employee or branch office but is widespread across the institution.

Public input mechanisms in CRA exams and merger reviews must be robust and include consideration of community benefit agreements

Since CRA requires banks to meet the needs of communities, the agencies must elevate the importance of public comments regarding the extent to which banks meet local 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.

Posting comments on agency websites will establish accountability on the part of examiners to consider them. In addition, these comments can be referenced during future merger applications to determine if the banks addressed significant concerns of the public. Also, the agencies should establish a public registry that community organizations can use to sign up if they want to be contacted about community needs and bank CRA performance. Furthermore, we request that the agencies start to publish which organizations they consult with to understand local community needs, commit to collecting input from a diverse range of organizations that includes organizations led by people of color and women, follow up on needs identified and detail how community input was factored into the results of CRA performance evaluations.

We agree with Acting Comptroller Hsu that the agencies must hold frequent public hearings on large bank mergers. CRA exams, if they are made more rigorous by a final rule, will help hold merging banks accountable.[17] However, merging banks must also submit a community benefits plan as part of their merger applications which could include community benefits agreements negotiated with community organizations. As further described in recent comments we agree with NCRC that an outstanding CRA rating must not be considered evidence that merging banks have satisfied the public benefits legal requirement. Finally, CRA exams following merger approvals must review compliance with community benefit agreements or conditional merger approvals.

CRA must include more objective measures of performance that reduce ratings inflation and provide clear guidance and rigorous training for its examiners

The current ratings distribution does not adequately distinguish banks in CRA performance. As evidence, about 98 percent of banks pass their CRA exams on an annual basis with just less than 10 percent receiving an Outstanding rating and almost 90 percent of them receiving a rating of

[17] Acting Comptroller of the Currency Michael J. Hsu Remarks at Brookings on Bank Mergers and Industry Resiliency, May 9, 2022 (occ.gov)

Satisfactory.[18] CRA has successfully leveraged more loans, investments and services for LMI communities but it would be more effective in doing so if the ratings system more accurately revealed distinctions in performance.[19] However, more banks would be identified as significantly lagging their peers, which would motivate them to improve their ratings and increase their reinvestment activity.

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 quantitative 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 agencies proposed improvements to the other subtests of the large bank exam but did not establish as many guidelines for the performance measures, which could contribute to inflation on the subtests. The community development finance test, for example, will consist of a quantitative measure of a bank's ratio of community development finance divided by deposits. The bank's ratio will be compared to a local and national ratio. The agencies, however, did not provide enough guidelines to examiners for comparing the bank's ratio to either the local or national ratio, making it possible for an examiner to inflate a rating by choosing the lowest comparator ratio. Further, the impact review, the qualitative part of the test, must be more fully developed and must significantly contribute to the Community Development test score.

The possibilities of misplaced examiner discretion can also occur on the retail services test and the community development services test. The retail services test contains quantitative measures comparing a bank's branch distribution to market and demographic benchmarks but does not provide enough instructions to examiners about how to weigh these benchmarks.

We believe that it is possible for the agencies to further develop guidelines for how to use the performance measures on the community development and services subtests of the large bank exam in order to produce a uniformly rigorous CRA exam and guard against ratings inflation. We also believe the agencies should commit to increasing its examiner workforce and enhancing its training regimen. Examiners tend to be starved of critical resources and time necessary to properly assess bank compliance with CRA. A commitment to workforce expansion and training across all regulators would serve the dual purpose of helping alleviate the heavy workloads and tight deadlines associated with the examination schedule while also limiting the likelihood of vague and inconsistent eligibility determinations that do not accurately reflect a bank's CRA performance.

Enhancements to community development definitions are needed to more effectively target activities to communities in need

The agencies proposed refinements to the definitions of affordable housing, economic development, climate resiliency and remediation, community facilities and infrastructure that we believe would more effectively target revitalization activities to communities such as persistent poverty counties and Native American communities.

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[18] Do CRA Ratings Reflect Differences in Performance: An Examination Using Federal Reserve Data » NCRC

[19] 'Don't Know What You Got Till It's Gone' — The Effects of the Community Reinvestment Act (CRA) on Mortgage Lending in the Philadelphia Market by Lei Ding, Leonard I. Nakamura :: SSRN

The agencies have clarified that revitalization activities must not displace LMI populations.[20] The anti-displacement provision must be applied to all community development (CD) activities including affordable housing. A final CRA rule that does not adequately protect against displacement would not be upholding CRA's requirement that banks serve the needs of LMI populations and communities. For example, multifamily housing that may initially be affordable but then involves rapid rent increases that pushes out LMI tenants is not serving the needs for housing. Further, needs are not met if housing is kept in poor condition and tenants face harassment. In addition, it will be important that the rule ensure sufficient income targeting, promote access to opportunity and promote fair housing and tenants' rights.

Harmful projects like landfills or fossil fuel facilities that are disproportionately placed in LMI neighborhoods and communities of color must not receive CRA credit under the new definition of CD. Instead, they must be penalized by lowering scores on the CD finance test. The proposed addition of climate adaptation and resiliency measures for CRA credit is an important and positive step forward, reflecting the increasing harms of climate change for vulnerable communities and the ways in which climate resilience is a critical foundation for community health and economic stability and growth.

The NPR clarified that financing health services qualifies under the definition of community support services. Essential community facilities now include hospitals and health centers without current documentation requirements, applied inconsistently, that the financing attract and retain residents to the community.[21] This streamlining would boost financing of critical community infrastructure.

The community development finance test will include an impact review[22] which must be further developed and include points and ratings like the other subtests so that the test can be more effective in stimulating responsive community development activities. We ask the agencies to reconsider their proposal to expand CRA consideration for financial literacy with no income limits[23]; scarce counseling resources need to be targeted to LMI and other underserved populations.

Finally, we ask the agencies to carefully develop their proposed list of illustrative activities that qualify for CRA to avoid the impression that this list is an exclusive list of approved activities. Novel and responsive activities like financing minority-owned media outlets, childcare centers and workforce development for people with disabilities should be highlighted.

Data improvements must provide more insight into banks' records of meeting credit and community needs

As a network focused on Black wealth creation, the Alliance understands that lending practices to minority communities is a historical and systematic issue that has stymied the financial growth of Black and Brown communities. The collection of disaggregated race, ethnicity and other

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[20] NPR, pp. 73-74.
[21] NPR, pp. 75-77.
[22] NPR, p. 107.
[23] NPR, p. 94.

demographic data is key to dismantling these unfair lending practices. Such data collection must include disaggregated data for all the key sub-group categories such as race/ethnicity data.

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 for reaching underserved communities. We ask the agencies to reconsider this decision and to expand data collection to all large banks instead of just banks with assets of more than $10 billion in the case of deposits and automobile lending.[24] Finally, CRA exams should not only analyze access to deposit accounts for LMI communities but also affordability by comparing and refining, if necessary, fee information collected in call report data.

Anti-discrimination and fair lending reviews must be more transparent. CRA exams must examine affordability and sustainability of lending in order to prevent predatory lending

The agencies proposed to include all activities and products including deposit accounts in addition to credit in anti-discrimination and consumer protection legal reviews. This is an important advance, but we urge the agencies to expand their reviews to include the quality of lending. Massachusetts CRA exams include analysis of delinquency and default rates in home lending specifically highlighting mortgage companies.[25] Federal CRA exams should do likewise in all major product lines. Moreover, reviews of lending must include an affordability analysis and impose penalties when banks offer on their own or in partnerships with non-banks abusive, high-cost loans that exceed state usury caps and that exceed borrowers' abilities to repay.

Assessment area changes must sufficiently capture online lending and deposit taking activity

For several years, advocates have urged the agencies to examine lending that occurs online. The agencies proposed to create retail assessment areas where a large bank does not have branches when a bank has issued 100 home loans or 250 small business loans.[26] This proposal would result in the great majority of total lending being incorporated on exams and would therefore hold non-traditional banks more accountable for serving LMI communities.

We ask the agencies to expand upon their proposal 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 needs to be totaled together for calculating if the threshold is exceeded for purposes of creating assessment areas.

In order to ensure that banks serve smaller metropolitan areas and rural counties, the agencies proposed requiring that banks with 10 or more assessment areas must receive at least a Low Satisfactory rating in 60 percent of the assessment areas in order to pass overall.[27] This still may not be an adequate solution since the smaller areas could represent a minority of areas, allowing a bank to pass the 60 percent threshold by focusing on the larger areas. One possible fix is to require banks to achieve at least a Low Satisfactory rating of 60 percent in each of its large metropolitan, small metropolitan and rural assessment areas. The overall passage rate for all assessment areas

[24] NPR, p. 553.
[25] Massachusetts CRA for Mortgage Companies: A Good Starting Point for Federal Policy » NCRC
[26] NPR, pp. 131-133
[27] NPR, pp. 368-369

should be increased to 75 percent or higher to ensure banks are responding to community needs across their geographical footprint. Finally, a bank should be required to submit a public improvement plan with measurable performance goals for all assessment areas or subtests in which a bank receives a Low Satisfactory or lower rating.

The proposed asset threshold and bank classification changes would reduce community development financing and branching

By adjusting asset thresholds for qualifying for various CRA exams, the agencies proposed to reclassify 779 ISB banks as small banks, which would involve no longer holding these banks accountable for community development finance. NCRC estimates that community development finance would decline by about $1.2 billion annually as a result of this change.[28] In addition, the agencies proposed to reclassify 217 large banks as ISB banks, eliminating their service test and accountability for placing branches in LMI communities.[29] These changes, which would disproportionately impact small cities and rural communities, 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.

Increase weight of the Community Development Financing and Services test for large banks

The Alliance also opposes the NPR proposal for the weighting of the community development financing test for large banks, as it does not adequately promote community reinvestment. The proposal weights the retail lending test at 60 percent of the overall rating and the combined community development and services tests at 40 percent of the overall rating. The Alliance shares the concerns of the National Housing Conference and others that the proposal would allow banks to achieve a 'Satisfactory' rating despite completely failing the combined community development and services tests. Said differently, a bank will receive an overall 'Satisfactory' rating even if it earns a 'Needs to Improve' rating on the Community Development Finance and Service tests, provided it earns at least a 'Low Satisfactory' rating on its retail lending and service test. This is an incredibly low bar that most banks will clear and could disincentivize banks from pursuing community development activities. and significantly diminish the community finance ecosystem.

To ensure banks are committed to community development activities, the Alliance recommends that the community development test and the retail lending test be weighted equally, with community development services being a mandatory component of the test. At minimum, the agencies should ensure that any final scoring and weighing system must fail a large bank if it earns a Needs-to-Improve rating on either the two retail subtests or the two community development subtests. The agencies should consider failing a bank overall if it earns a Needs-to-Improve rating on any particular subtest, including the ones with lower weights. Further, a bank should be required to achieve at least a 'Low Satisfactory' rating on the community development test in order to obtain an overall 'Satisfactory' rating.

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[28] Adam Dettelbach, Josh Silver, Bruce C. Mitchell, Intermediate Small Banks: The Forgotten But Significant Resource For Affordable Housing And Community Development, NCRC, November 2017, https://www.ncrc.org/intermediate-small-banks-forgotten-significant-resource-affordable-housing-communitydevelopment/

[29] Mark Pearce, Director, Division of Depositor and Consumer Protection, Memo on Notice of Proposed Rulemaking on Community Reinvestment Act Regulations, April 27, 2022, p. 4, https://www.fdic.gov/news/boardmatters/2022/2022-05-05-notice-dis-a-mem.pdf

Require equity investments in the Community Development Financing Test
The proposal, though mindful of community development financing, does so at the potential risk of devaluing other effective tools, such as the New Markets Tax Credit (NMTC) and the Low-Income Housing Tax Credit (LIHTC). Under the proposal, large banks will be evaluated under a "Community Development Financing Test." This test combines many of the activities previously evaluated as community development lending and community development investments. This move towards a combined evaluation of community development loans, investments, and services could cause a shift in a bank's CRA activity away from making equity investments in or grants to Black-led CDFIs, which are labor- and time-intensive but are incredibly impactful. Instead, banks might opt for making more community development loans, as these are typically less complex than equity investments. In addition to using the percent of equity investments and/or grants as a performance measure, the Alliance would also support development of subtests within the Community Development Finance test that would separately consider community development investments and loans, with equal weights assigned to those subtests.

Special Purpose Credit Programs (SPCPs) should be eligible for CRA credit on the community development test
The effects of redlining and racial discrimination that took place decades ago continues to haunt Black communities today. Though not a cure-all, SPCPs, which allow lenders to create credit products with favorable terms that are targeted to historically underserved classes, can help to reverse some of the economic disadvantages faced by Black communities due to historical discriminatory practices. The NPR discussed SPCP programs serving the needs of LMI borrowers, but the final regulation must explicitly recognize that these programs usually have been utilized to extend credit to people of color and communities of color. The final regulation should mention that SPCP programs can include home lending, small business lending, consumer lending or deposit products.

CRA credit for loan originations and secondary loan purchases should be reconsidered
The purpose of CRA is to measure and incentivize credit and banking services in underserved communities of color and LMI areas. However, this goal cannot be met if new mortgages are not being originated in these areas. Furthermore, the current regulations allow banks to resell loans purchased on the secondary market to other banks and those very loans are allowed to generate CRA credit for multiple banks. Continuing the practice of allowing secondary market loan purchases to generate CRA credit runs counter to the original intent of the CRA.

The Alliance recommends that CRA credit be contingent upon a lenders' demonstration of retail lending activity in LMI communities, evidenced by actual loan originations or the purchase of loans originated by a Black-led CDFI or MDI that services majority-minority communities.

Conclusion
In an event held earlier this year honoring Dr. Martin Luther King, Treasury Secretary Janet Yellen astutely noted that "From reconstruction, to Jim Crow, to the present day, our economy has never worked fairly for Black Americans – or, really, for any American of color."[30] CRA alone cannot reverse the effects of the systematic economic injustices that have given rise to the ever-expanding racial wealth gap. However, by directing banks to expand access to credit and capital to historically

[30] US economy 'has never worked fairly for Black Americans,' Treasury chief says - ABC News (go.com)

underserved populations, the CRA can play a pivotal role in revitalizing distressed communities, allowing individuals who live in those communities to build equity and begin the process of breaking down the barriers to intergenerational wealth accumulation that have stood in the way of Black and Brown communities for far too long.

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. We also ask the agencies to incorporate race in CRA exams, to expand the public reporting of data collection proposals, to bolster their assessment area proposal to make sure that smaller communities are not left out and to refrain from reducing reinvestment requirements for any segment of banks. For America to succeed we need to make sure that African Americans have equal opportunities to contribute to the economy as business owners who create jobs and build wealth. If CRA is improved while maintaining public input and accountability, the proposed rule could help reduce inequalities, disinvestment, and other disadvantages in America's overlooked communities.

Martin Luther King Jr. was prescient when he embraced what he coined "the fierce urgency of now." Today, the agencies have an opportunity to remove the deep stain of racism that has blotted our nation's history for generations. Today, the agencies have an opportunity to create a community development framework that fundamentally alters the social and economic trajectories of Black and Brown Americans that have been neglected for generations. This CRA reform is truly a once-in-a-lifetime opportunity. Given that the last significant CRA reforms took place 27 years ago, this might be our only bite at the apple for the foreseeable future. We must get this right now. We simply cannot afford to wait any longer.

Once again, thank you for the opportunity to comment on this most important matter. Please do not hesitate to contact me at lvlong@aaacdfi.org if you have any questions.

Sincerely,

[redacted]

Lenwood V. Long Sr.
President and CEO
African American Alliance of CDFI CEOs