CHICAGO COMMUNITY LOAN FUND
Helping create communities where people thrive

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RE: Community Reinvestment Act Proposed Rulemaking [87 FR 33884]

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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:

Chicago Community Loan Fund (CCLF) is pleased to submit our comments on the Interagency Notice of Proposed Rulemaking (NPR) regarding the modernization of the Community Reinvestment Act (CRA) put forward by the Office of the Comptroller of Currency (OCC), the Federal Reserve Board (FRB), and the Federal Deposit Insurance Corporation (FDIC). The CRA has been a pivotal, but imperfect, tool in transforming historically underserved and marginalized communities for the last 45 years. By spurring investment in overlooked low- and moderate-income (LMI) communities, CRA is integral to fully realizing an equitable economy that affords people from all walks of life a tangible opportunity to thrive. We aim to provide comments that will help strengthen and refine this proposal to better enable these agencies and the banks that they oversee to fulfill the intent and purpose of this law.

CCLF is a 31-year-old Community Development Financial Institution (CDFI) providing responsible, flexible, and patient capital in areas of most need in the six-county Chicagoland region. CRA was largely responsible for the 545 loans (totaling $279 million) that CCLF has made to for-profit and nonprofit developers working to create or preserve affordable housing, commercial retail, community facilities, and social enterprises in low- to moderate-income (LMI) census tracts throughout Chicagoland. Since its founding, CCLF has created nearly 11,600 units of housing and more than 6,500 jobs and leveraged an additional $1.6 billion in public and private investment in the communities that it serves.

As an African-American led CDFI that serves a metropolitan area of more than 3.1 million households including a significant minority population (49.4%) and a sizable portion of low-wealth residents with a third of all households earning less than $50,000/year (65.2% AMI), we deeply appreciate the opportunity to comment on this joint proposal as it affects customers like ours that will be most deeply impacted by this modernization proposal.[1] From its inception, CCLF's customer base has consisted of 67% historically disadvantaged enterprises, which includes businesses owned by Black, Indigenous, People of Color, women, LGBTQ people, and veterans.

More than 25 years have passed since the last meaningful update to these regulations. While the banking industry has made significant advancements technologically in that time frame, the redlining practices that the CRA was intended to ameliorate still rage on, leaving Black, Indigenous, People of Color (BIPOC) borrowers and small business owners on the outside looking in. We are thankful that the prudential regulators see that now is the time for change and that it can only be achieved collectively. The disjointed efforts of the FRB, OCC, and FDIC prior to this proposal would have only served to create heightened confusion and regulatory arbitrage. As the needs for housing, jobs, healthy food and quality healthcare increase, the nation deserves the very best in an updated CRA.

This joint proposal puts forward an important road map for updating the CRA that addresses several critical issues. We firmly support several of the proposed rule changes including increasing the rigor of the retail lending test, improving retail data collection and analysis, updating online banking assessment area considerations, and expanding, refining categories of community development activities, including CDFIs.

While this proposal has made great strides, areas for significant improvement remain, including its treatment of race, community outreach, CRA exam scoring, Community Development finance test, CDFIs, and bank size asset threshold classifications. We will explore these areas and some additional concerns in this comment letter. The CRA rules should explicitly state and work towards an objective of significantly expanding bank lending, services and investment in low-income communities and communities of color and support of minority lending institutions. This can only be done through innovative and inclusive thinking that asks regulators and banks to elevate their commitments by even as much as three-fold.

Protected Class Discrimination

Race

The CRA was intended to tackle redlining and disinvestment in low- and moderate-income communities – communities which often have high concentrations of Black, Latinx, and Indigenous people. Attempting to correct a problem that has clear and persistent deleterious impacts on racial and ethnic minorities without directly addressing the racial and ethnic biases that exist is both counterproductive and counterintuitive. This proposal does marginalized minority groups a great disservice by failing to collect and utilize racially disaggregated data.

While concern exits with some that collecting such data could prove to be unconstitutional, a recent legal review conducted by the National Community Reinvestment Coalition and the law

[1] https://www.cmap.illinois.gov/documents/10180/102881/Cook+County.pdf

firm, Relman Colfax PLLC, dispelled this notion and found that collecting race-specific information was permissible under the Equal Protection clause because it can be conducted in a manner that "does not allocate government benefits or impose sanctions based on race", particularly given the comparable race-based data that is already collected and published by the federal government.[2]

Race could also be explicitly included in the CRA by adopting one of the following methodologies:

1. Adding racial demographics to the list of factors to consider when delineating assessment areas, when those areas are experiencing ongoing discrimination, exhibit significant racial disparities in lending, and/or constitute underserved neighborhoods with low levels of lending;
2. Creating 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; and
3. Incorporating HMDA data analysis of lending by race into an institution's CRA performance in those identified geographies / assessment areas.

Additionally, regulators also could lean on existing authority to include race among the many factors considered in lending tests and impact reviews by utilizing the "other targeted population" framework already provided for in the Riegle Community Development and Regulatory Improvement Act of 1994. This 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 and 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."[3] The CDFI 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."[4]

We appreciate that the regulators have proposed including Home Mortgage Disclosure Act (HMDA) data to track some race-specific statistics; but this simply does not go far enough, especially given that the information gleaned here will not be factored into a bank's exam rating. We implore the regulators to affirmatively consider race, as it was once a factor in delineating assessment areas, and to take full advantage of the race-conscious data that already exists. We believe that not only should this type of data be considered in exams but also that evidence of poor performance should be punished. We support National Community Reinvestment Coalition's (NCRC) recommendation to use a bank's performance in HMDA data analysis of lending by race as a trigger for enhanced fair lending reviews. Similarly, we would like to see Dodd-Frank Section 1071 data used to trigger enhanced scrutiny of banks who fall short of meeting the needs of women-owned and/or minority-owned small businesses. Regulators should be working to build on the recent successes of race-conscious initiatives like HMDA, Section 1071, and the State Small Business Credit Initiative (SSBCI). (Questions 6, 173)

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

[3] eCFR :: 12 CFR 1805.201 -- Certification as a Community Development Financial Institution.

[4] CDFI Certification Application for PRA 2019 (cdfifund.gov)

At its core, LMI data is a poor substitute for race specific analysis because it overlooks both higher-wealth people of color who, despite their financial means, are still discriminated against by financial institutions and implicit racial bias within LMI communities. The Urban Institute found that minority LMI neighborhoods represent 36.7 percent of the households in all LMI neighborhoods and 31.6 percent of existing homeowners in those neighborhoods, but received only 25.2 percent of owner-occupied purchase loans made in LMI neighborhoods.[5] The focus on LMI communities without a race-specific framework has only led to the continued widening of the racial wealth gap. In 1950, the ratio of white-to-Black wealth was 7 to 1, and, now, 72 years later, it has barely narrowed, sitting at a 6 to 1 ratio currently. After seeing some contraction during the Civil Rights Movement of the 1960s and 70s, the 80s saw the racial wealth divide reverse course and begin to widen. This trend can only be corrected through bold action that significantly reinvests in Black and Brown communities and addresses systemic racial bias in the financial industry. Our inaction is costing our economy trillions of dollars by limiting wealth-building opportunities for Black and Brown people. In order for this nation to achieve its greatest social and economic potential, the work begins by establishing a racially equitable foundation that allows us all to rise.

In order for any progress to be made on this front, banks need to be encouraged to seek out innovative solutions to ensure fair access to their products and services. The urgency is laid bare by a recent FDIC-sponsored paper which Black and Latinx borrowers paid 6 basis points more for conventional purchase loans than whites. Also, over a thirty-year term of $200,000 loan, Black borrowers paid $1,583 more than White borrowers for a conventional purchase loan and $541 more than White borrowers for FHA purchase loans; Latinx borrowers paid more $1,725 more than White borrowers for conventional purchase loans.[6] According to the U.S. Census Bureau, Black Americans had the lowest rate of homeownership as of the second quarter of 2020 at 47% in stark contrast to the homeownership rate of White Americans which stood at 76%.[7] Additionally, HMDA data illuminates this matter further by pointing out that lenders denied mortgages for Black applicants at an 80% higher rate than White applicants.[8]

While we believe that Special Purpose Credit Programs that target underserved minority borrowers could be an important tool to alleviate some of this inequality, we also caution that SPCPs are not a panacea that will fix these problems in their entirety or overnight. SPCPs are a start, not a finish. We urge regulators to indicate that these programs can include initiatives that focus on either people of color or communities of color, specify that these programs are primarily intended to extend credit to LMI borrowers of color, and state that SPCP programs can include home lending, small business lending, and consumer lending or deposit products. (Question 106)

Racial inequity not only impugns our nation's moral credibility, but it also greatly constrains our economic growth and stability. A recent study by McKinsey concluded that achieving Black-owned businesses parity would generate an additional $1.6 trillion in revenue.[9] Lack of access to capital due to systemic racism within the financial services industry plays a central role in

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[5] Should-the-community-reinvestment-act-consider-race_1.pdf (urban.org)

[6] Did Minority Applicants Experience Worse Lending Outcomes in the Mortgage Market? A Study Using 2020 Expanded HMDA Data (fdic.gov)

[7] Why the homeownership gap between White and Black Americans is larger today than it was over 50 years ago (cnbc.com)

[8] Why the homeownership gap between White and Black Americans is larger today than it was over 50 years ago (cnbc.com)

[9] The economic state of Black America: What is and what could be | McKinsey

perpetuating this disparity. An additional $13 trillion in revenue over the past 20 years and an additional 6.1 million jobs per year could have been created if Black borrowers had been provided with fair and equitable access to capital, according to a report by CitiGPS.[10] At the launch of the Interagency Convening on Equitable Economic Growth[11], Deputy Commerce Secretary Don Graves highlighted that research from the Kellogg Foundation indicates that racial equity across education, business, incarceration, and health could leverage an additional $8 trillion by 2050 for the US economy[12] – growth, income, and opportunity that we can ill-afford to sacrifice at any time but particularly during this current economic recovery period. This is not an individual problem. Racial inequality is a burden on our economy, and a systemic risk, and we have to treat it as such.[13]

Gender Identity and Sexual Orientation

The fate of nation's well-being is directly tied to our ability to activate and empower minority groups, not just racial but also gender and sexual orientation minority groups as well. We can ill-afford to continue to overlook needs of the LGBTQ+ community within LMI communities as the percentage of Americans who identify as LGBTQ+ has been steadily trending upward and set a record mark this year.[14] This surge is led by Gen Z, the oldest of which will become part of the target age range demographic for homeownership within the next decade. As of 2018, approximately 7.5% of Chicago's adult population identified as LGBTQ+, exceeding the national benchmark, according to the Chicago Department of Public Health.[15]

In our discussion of how this regulation impacts underserved Black and Brown populations, we would be remiss not to highlight the plight of LGBTQ+ people of color who are at even greater risk of being in poverty. While economic information collected on LGBTQ+ communities is limited, it overwhelmingly points to evidence of historic disinvestment and systemic bias. To help remedy this, we urge regulators to examine specific ways to address these discriminatory practices and spur investment in the LGBTQ+ community. Creating thoughtful targets for this group will help raise the floor for bank service across the board.

According to study by UCLA's Williams Institute on Sexual Orientation and Gender Identity Law and Public Policy, the overall poverty rate for LGBTQ+ Americans was 35% higher than the poverty for their heterosexual, cisgender counterparts.[16] A special report by the National Transgender Survey in 2015 showed that Black transgender people had an unemployment rate of 20%, which was double the rate of Black Americans in general and quadruple the rate of overall U.S. unemployment. As of December 2021, there are more than 9,000 homeless youths in the city of Chicago, a disproportionate number of which are LGBTQ+ facing dire socio-economic consequences and trauma.[17] This trend is all too common nationwide.

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[10] Closing the Racial Inequality Gaps - CitiGPS (citivelocity.com)

[11] Remarks by U.S. Deputy Secretary of Commerce Don Graves at the Deputies' Convening on Equitable Economic Growth | U.S. Department of Commerce

[12] Updated study outlines potential gains to U.S. economy and a pathway for economic growth - W.K. Kellogg Foundation (wkkf.org)

[13] Racial inequity 'a systemic risk' – State Street Global Advisors CEO | S&P Global Market Intelligence (spglobal.com)

[14]

[15] https://www.chicago.gov/content/dam/city/depts/cdph/LGBTQHealth/CDPH_2017LGBT_Report_r6a.pdf

[16] https://williamsinstitute.law.ucla.edu/wp-content/uploads/National-LGBT-Poverty-Oct-2019.pdf

[17] https://blockclubchicago.org/2022/04/19/chicagos-lgbtq-youth-facing-homelessness-trauma-and-they-need-more-resources-advocates-say/

Using 2018 HMDA data, NCRC reported that same-sex couples, who are more likely to be minority, lower-income and younger than their different sex counterparts, paid higher interest rates and closing fees on their home loans.[18] Per the written testimony of the Center for LGBTQ Economic Advancement and Research (CLEAR) to House Financial Services Committee in December 2021, LGBTQ+ households were 1.6 times more likely to be unbanked than non-LGBTQ+ households and also more likely to be underbanked than their heterosexual counterparts by a ratio of 16.8% to 14.3%.[19] Additionally, they also have been significantly discouraged from homeownership with LGBTQ+ renters being more likely to report that didn't own a home because they could not afford a down payment and that they didn't think they could qualify for a mortgage.[20]

Community Input

Community input and engagement is essential to the efficacy of the CRA. Determining the needs of the community without consulting the community is impossible. Accordingly, we would like to see the regulators strengthen public input mechanisms by publishing comments from community members regarding how banks are serving their communities to their respective websites. Regulators should keep a public record of their community outreach to ensure that a diverse spectrum of voice are being heard and represented. Additionally, CRA examiners should detail which organizations they contacted as part of their review. The process is too opaque and potentially freezes out vital feedback from the people that this regulation is chiefly designed to empower. We also support NCRC's suggestion that regulators establish a public outreach directory of community organizations—including both entities that regulators have previously contacted as part of a CRA exam and other community organizations that the regulators have not spoken with that would register themselves in the directory in order to provide input. This mechanism will allow for direct interaction between regulators and the community and significantly increase the transparency of these exams.

Community benefits agreements are another key strategy for improving community input, particularly regarding bank mergers. Robust community input on bank mergers is essential, as these mergers often result in significant branch closures and reductions in service. Over the past twenty years, the number of banks in this country has been cut in half due to the proliferation of bank mergers.[21] These mergers have created record profits for these financial institutions that, all too often, come at the cost of low-wealth consumers. Community benefits agreements offer an important opportunity to bring banks to the table to ensure that the growth in asset size does not decrease the level and quality of products and services that will be provided in impacted communities. We ask that regulators explicitly encourage these types of agreements because they are among the best available tools to hold banks accountable for meeting the expressed needs of the community and not what best suits the financial institution's interests. (Question 146)

CRA Exam Grading Practices and Examiner Support Needs

The current CRA regulations allow for significant grade inflation, allowing banks in some cases to do less than the bare minimum to serve low-wealth and majority-minority communities and still

[18] https://ncrc.org/same-sex-couples-and-mortgage-lending/
[19] https://lgbtq-economics.org/2021/12/16/theres-no-pride-in-prejudice/
[20] https://lgbtq-economics.org/2021/12/16/theres-no-pride-in-prejudice/
[21] https://ncrc.org/ncrc-to-regulators-reject-bank-mergers-that-do-not-show-benefits-to-the-public/

receive a passing grade. With 98% of banks receiving either Satisfactory or Outstanding marks, benchmarks must be set higher and offer a more differentiated and nuanced grading scale to take a more innovative approach to community development. The credibility of CRA is strained when 98% of banks are deserving of a Satisfactory or better rating while Black and Brown communities continue to be overlooked for investment and homeownership opportunities and the pernicious racial wealth gap that CRA was intended to help close continues to widen with no contraction in sight.

We support the agencies' proposal to include both the conclusion and score for each test at the Assessment Area level, as this change will provide much needed clarity as to how well these banks are actually doing. We would like the regulators to further this by providing scores at the overall rating level as well because ratings alone cannot accurately depict the distinctions in performance. Additionally, we urge regulators to reconsider the proposed weights for the large bank test. As constructed, this system would have the unintended consequence of delegitimizing the importance of the Community Development (CD) Finance and Service because it allows an opportunity for banks to receive an overall rating of Satisfactory even if they fail these tests. This is unacceptable as it potentially obviates these institutions from meeting the most pressing needs of the community. A bank should not be allowed to pass if it receives a Needs-to-Improve on either the two retail subtests or the two CD tests. Additionally, regulators should consider failing a bank overall if it receives a Needs-to-Improve on any of the subtests. (Question 138)

Additionally, we would like see the regulators do more to prevent regulatory capture by improving training for examiners. We have to ensure that those entrusted to assess the data have the necessary tools and cultural competencies to make accurate and meaningful assessments that are not impacted by pressure from financial institutions. This has particularly negative impacts on Black and Brown communities where examiners should be doing more to encourage banks to utilize more innovative approaches to meeting the needs of the hardest to reach communities. We believe that many of these concerns about be allayed through a commitment from the regulators to increase the examiner workforce and enhance their training regimens. Examiners are often starved of critical resources and time necessary to properly access bank compliance with CRA. A commitment to workforce expansion and training across all prudential agencies 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.

Community Development

Community Development Finance Test

While we appreciate the great strides made to improve the rigor of the Retail Lending Tests, we are greatly disappointed that this emphasis has not been placed on improving the CD Finance test. The CD Finance test needs additional guidance and leaves too much discretion in the hands of the examiner to choose the correct comparator for the ratio test. The existing guidance in Appendix A should be replaced with more descriptive guidance as to how the ratings correspond with bank performance in comparison to established benchmarks. (Question 90)

We support the inclusion of a qualitative impact review, but the guidance proposed is insufficient. It could be bolstered by adding a quantitative measure of community development financing in persistent poverty counties and/or areas with low levels of finance and the percentage of activities that involved collaboration and partnerships with public agencies and community-based organizations. We would like to see the impact review collect data on the census tract level to better capture the local needs that are easy to overlook on the county level. It also should prioritize affordable housing initiatives with a particular consideration for the local housing burden.

The proposed geographic impact measures proposed would be better able to reach economically distressed communities and majority minority communities by ensuring that:

1. These geographic areas are sufficiently defined to target the communities most in need of investment.
2. CRA credit for investments in these areas is given enough weight and clarity in the banks' CRA evaluation to incentivize investments to them.
3. CRA-qualifying investments to these areas are required to address both people and place, to ensure the investments reach low-income people and people of color in these areas.
4. The type and amount of investment is meaningful, with priority given to equity, secondary capital, and equity equivalents. Relatedly, equity must not be diluted or deprioritized in the CRA evaluation, and must be reported separately, even if combined into a single test (Questions 34 and 35).

Additionally, this impact test should have its own score, rank, and weight within the community development test. The information being gathered here is meaningful and it should be treated like it matters. (Question 125)

Community Development Financial Institutions

We are greatly appreciative of the attention this joint proposal gives to CDFIs and thankful that the regulators recognize the vital role they play in getting sorely needed dollars into historically underserved and often majority-minority communities. Regulators should further this commitment by prioritizing investments into CDFIs that are "minority lending institutions", as they have a demonstrated track record of serving communities of color.

Minority-led CDFIs are considerably undercapitalized in comparison their White-led counterparts. Creating parity here would more than double, if not triple, the amount of bank-infused capital held by minority-led CDFIs. Analysis by the HOPE Institute (HOPE) found that during the 15-year span of 2003 to 2017, the median asset size of white-owned CDFI Fund awardees has persistently been at least twice the median asset size of minority-owned CDFI Fund awardees—in some years, triple.[22]

In their analysis of CDFI capitalization trends, HOPE found that banks were knowledgeable about and capable of making investments in CDFIs, but these investments were both uneven and inequitable. Even though minority-owned CDFIs accounted for 27% of these CDFIs that received awards in FY2017, they held only 11% of the total $34 billion in bank-infused capital held. Conversely, White-led CDFIs accounted for 66% of CDFI Fund awardees and held 89% of that bank-infused capital. If bank investment had simply been proportionate to representation—minority-led CDFIs would have held roughly 27% of bank-infused capital held by CDFIs—

[22] CDFI-Fund-Time-Series-Analysis-brief-edited.pdf (hopepolicy.org)

minority-led CDFIs would have received over $2 billion in additional bank investments. Furthermore, white-led CDFI Fund awardees held, on average, $32 million of bank-infused capital, compared to an average of $9.6 million for minority-led CDFIs in FY 2017.

These disparities necessitate that regulators include and incentivize investments in "minority lending institutions (MLIs)"—defined by the Consolidated Appropriations Act of 2021 as "a CDFI where a majority of both the number and dollar volume of arm's-length, on-balance sheet financial products of the CDFI are directed at minorities or majority minority census tracts or equivalents; and is (1) an MDI as defined by FDIC or NCUA or (2) meets other standards of accountability to minority populations as determined by the Fund."[23]

CDFIs also urgently need low-cost and long-term investments—such as equity and equity equivalents—in order to maintain the nimbleness required to responsibly and responsively meet the needs of the diverse communities they serve. We are concerned that the proposed joint community development test would have the unintended consequence of prioritizing debt capital over equity, secondary capital, equity equivalent and grants. As part of CRA reform, banks should be encouraged to provide equity and equity equivalents to CDFIs, possibly with the percentage of the equity provided serving as a multiplier of any investment made (the higher the equity percentage provided, the higher the multiplier). We further suggest a requirement that 20% if a bank's overall community development financing be directed to MLIs in the form of equity and equity equivalents.

Bank Asset Thresholds

We are deeply concerned about the proposed changes to the bank asset thresholds for small and intermediate small banks (ISBs). Raising the small asset bank threshold from $346 million to $600 million would reclassify 779 ISBs as small banks, thusly eliminating their community development finance obligations. Similarly, raising the ISB threshold range to $600 million to $2 billion would allow 217 large banks to reclassify as ISBs, removing their service test and requirement to pay attention to branching and service provision in LMI communities. In Illinois, this would reclassify 41 ISBs as small banks (including 16 in the Chicago Metropolitan Statistical Area) and 15 large banks as ISBs (including in eight the Chicago Metropolitan Statistical Area), greatly reducing the resources available to LMI communities and community development organizations like CDFIs.

As a CDFI that partners with several ISBs, we are particularly sensitive to the ramifications of raising the small bank any potential loss of community development dollars would be exceedingly harmful and jeopardize critical projects in historically underserved neighborhoods. As of the end of Q4 2021, 25% of our lending was multifamily housing that serves low-income people. The amount of impact we have a demonstrated track record of achieving in this space would not be possible without vital contributions from ISBs who saw the value in community collaboration. This proposed change would only exacerbate the strain we are currently experiencing in affordable housing development and financing. This country is a experiencing a record low in the overall availability of apartments while rental prices have increased by 17 percent over last year and roughly half of all renters are paying rents that surpass the 30% affordability benchmark.[24] The simple answer is to rehab and build more affordable units, but that is exceedingly difficult when

[23] PUBL260A.PS (congress.gov)

[24] https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2022/04/25/rising-construction-costs-stall-affordable-housing-projects

the cost of critical supplies like lumber have tripled. Without continued strong community investment from banks, addressing this affordable housing crisis, as urgently needed units continue to face significant delays, is virtually impossible.

Raising the asset threshold for ISBs only compounds the harm that will be experienced by LMI consumers if this portion of the joint proposal goes forward. Despite the proliferation of online banking services, the bank branching and service provisions that these reclassified banks would now be obviated from considering are critically important to the communities that the CRA was intended to protect. A recently published study by the FDIC found that lower-income and less educated households were twice as likely to depend on bank branches for service.[25] It also showed that 23% of banked households in urban communities visited a bank branch at least 10 times per month. Simultaneously, over the past three years banks set a record pace for branch closures having closed more than 4,000 branches closing since the beginning of the COVID-19 pandemic, predominantly in LMI neighborhoods where the need is greatest.[26] From 2017 to 2021, one-third of the branches closed were in a low- to moderate-income and/or a majority-minority neighborhood. Illinois lost the fourth most branches last year with a net loss of 153 banks.[27] From 2017-2021, the Chicago metro area has seen the seventh largest reduction of bank branches with a net loss of 330 branches.

At a time when bank branch closures are rampant and the cost of community development initiatives continue to increase, we cannot afford for banks to do less. These banks need to continue to be held accountable. The proposed bank size asset threshold changes would potentially result in billions of lost investment dollars, as well as significant branch losses and service reductions. The proposed reduction in burden would in no way counterbalance the long-ranging deleterious impacts. This CRA modernization should not allow banks to do less. We have to challenge them to do more and to live up to the spirit of this law. (Questions 49, 50, 51)

Conclusion

This proposed rule is an important step toward creating a more comprehensive CRA that is better aligned with its intent, but it falls short in several critical ways:

- First and foremost, failing to make the CRA regulation and enforcement race-conscious undermines the intent and spirit of the law. The CRA was intended to stop banks from redlining, a practice that relies on institutional and systemic racism. We cannot address racism in the financial services industry without confronting it directly and addressing the matter from the root.
- The proposed CD test lacks the necessary rigor and guidance to maximize its impact. We implore the regulators to utilize the impact review to help lift up best practices and to highlight specific deficiencies by scoring this portion as well.
- Given the state of underinvestment and blight in LMI communities and the growing racial wealth gap, the fact 98% of CRA-regulated banks to be doing a Satisfactory or better job at meeting the needs of these communities is mind-boggling and distressing. Community

[25] https://www.fdic.gov/analysis/household-survey/index.html
[26] https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/us-bank-branch-closures-increase-38-to-new-record-high-in-2021-68483121
[27] https://patch.com/illinois/chicago/bank-branch-closures-hit-record-153-illinois-shuttered

Development portions of the exam need to be given greater weight to ensure that we curtail grade inflation and hold these institutions accountable for doing what they are required to do. More punitive measures need to be taken in order to ensure that banks are focused on serving the LMI populations and Communities of Color in their assessment areas.

- CRA exams are particularly opaque regarding how they collect public input and engage with community organizations. Greater transparency is needed here to ensure that diverse populations within the community are heard from and their needs are being prioritized. Among the many tools suggested to help do this, we would specifically like to see the regulators encourage CBAs as a means of holding banks accountable for their responsiveness to specifically outlined community goals.
- The proposed bank size asset thresholds pose an imminent threat to community development dollars and to bank service in LMI communities. Raising the threshold for small banks takes vital financing off the table when and where it is needed most. Raising the ISB threshold range further endangers the ability of Black and Brown people to access financial services in the neighborhoods, rendering them more susceptible to predatory lending practices.
- We urge regulators to take a more comprehensive look at the diverse demographics that make up LMI communities by doing more to localize data collection and reporting and taking a closer look at important subgroups like the LGBTQ+ community that face unique types of discrimination in the marketplace.

As Rev. Dr. Martin Luther King, Jr. said in his *Where Do We Go From Here?* address on poverty, "The prescription for the cure rests with the accurate diagnosis of the disease." We have no hope of eradicating income inequality, along with the health and wellness disparities that it comes along with, if we are afraid to expose and address the root causes of this issue and bring them to light through intentional and courageous analysis.

This modernization proposal represents an historic opportunity to advance social justice and racial equity by creating meaningful accountability measures to ensure that all Americans have a fair opportunity for economic empowerment. If properly implemented this updated regulation could close the racial wealth gap, boost our Gross Domestic Product by trillions of dollars, make America more globally competitive, bring a long-awaited end to redlining, and end preferential investment within the CDFI ecosystem that intentionally disadvantages communities of color. By preserving capital closer to these communities, we can take a crucial step forward in fulfilling the promises of fairness, justice, and equality that are our nation's bedrock.

Chicago's illustrious Civil Rights leader and first African-American mayor Harold Washington challenged us to "to have the courage to live out our moral imperatives, to demonstrate not only to ourselves and our children, but to a watching world, that the return on investment is much greater when you have a whole city--red and yellow, black and white, young, old, affluent and striving, men, women and children, pulling in a symphony of achievement." The equity and harmony of our future is inextricably tied to our willingness to amplify and affirm the voices of the marginalized communities that are crying out.

Again, we thank you all for the opportunity to comment on this very important proposed rulemaking and for your thoughtful consideration of our comments and recommendations.

Yours truly,

[redacted]

Calvin L. Holmes
President