

Greater Cleveland Reinvestment Coalition
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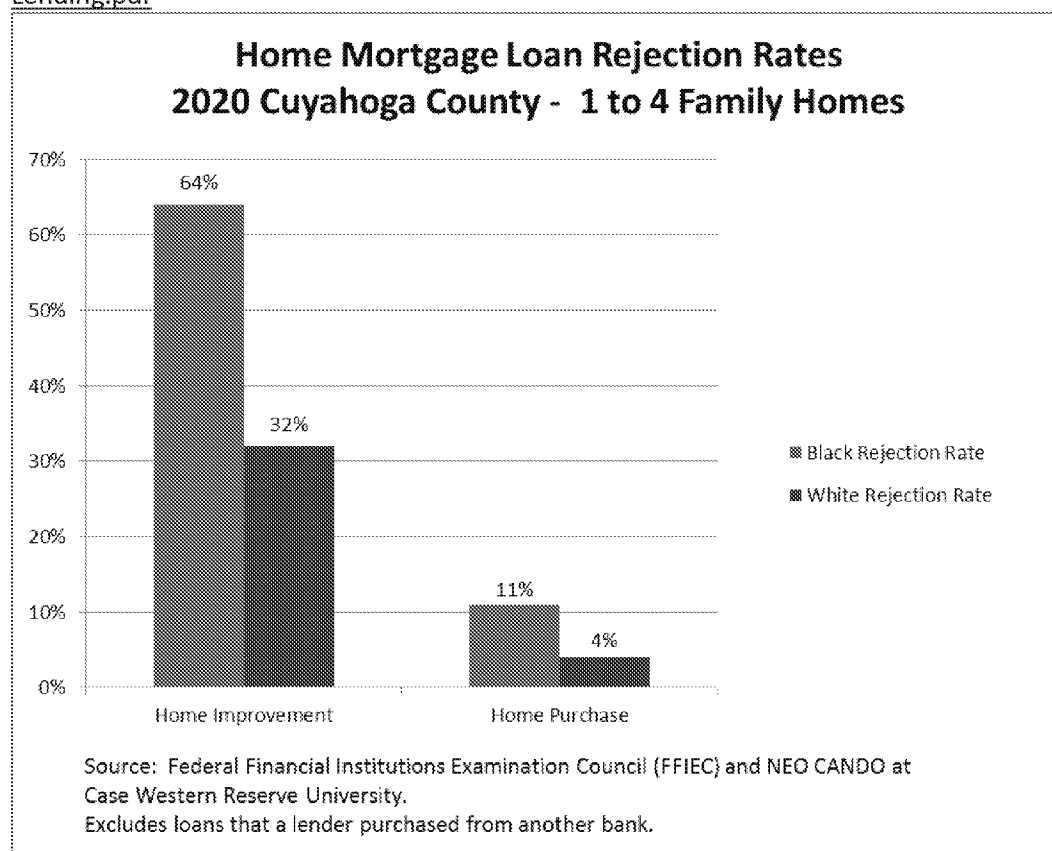
To Whom It May Concern:

The Greater Cleveland Reinvestment Coalition (GCRC) 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 CRA regulation and exams in 27 years.

CRA will be more effective in bolstering bank reinvestment activity in underserved communities if CRA exams and ratings are likewise more rigorous. The NPR proposed some significant improvements in test rigor but the improvements are not across the board on all aspects of exams. The NPR also improved data collection and the breadth of geographical areas on exams **but did not include race on exams.**

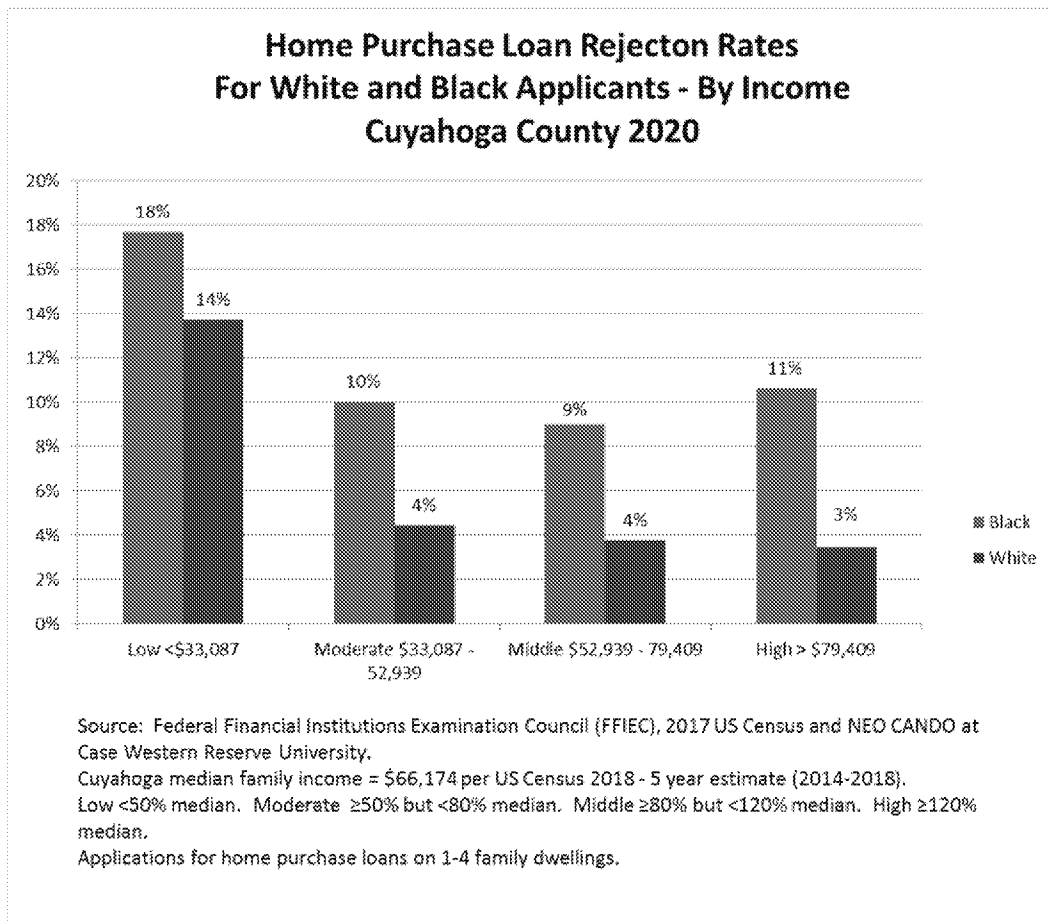
A recent study by the Western Reserve Land Conservancy finds that disparities in lending to minority and low-mod income communities continue to exist in Cuyahoga County.

<https://www.wrlandconservancy.org/wp-content/uploads/2021/12/2020-Cuyahoga-Home-Mortgage-Lending.pdf>

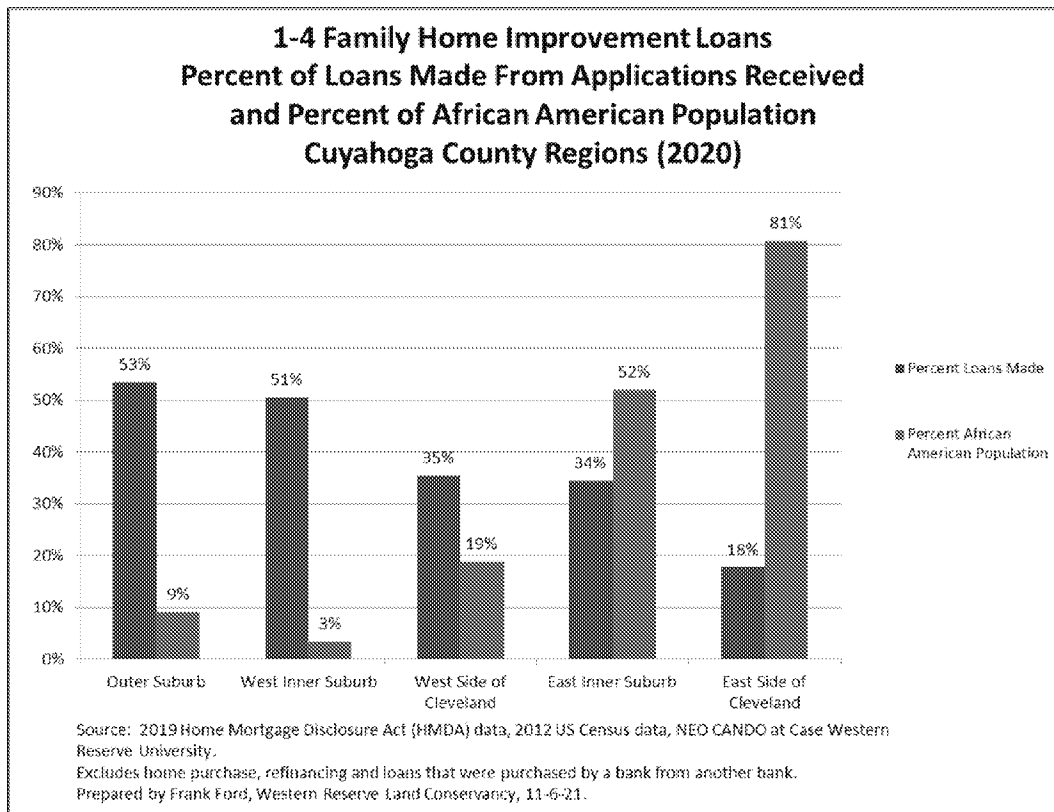


As noted in the chart above, in 2020 Blacks who applied for loans were rejected significantly more often than White borrowers: twice as often with home improvement loans and nearly 3 times as often with home purchase loans.

The disparity was found even when looking at high income Black borrowers. In fact, not only were high income Black borrowers denied loans more frequently than high income White borrowers, they were also denied loans more often than middle-income and moderate-income White borrowers.



A similar disparity was found regarding loans for home improvement. As the chart below demonstrates, access to home improvement loans across all five regions of Cuyahoga County decreases as percent of Black population increases.



Furthermore, three different studies conducted independently within the past four years also found similar disparities in lending to minority and low-mod income communities in Cuyahoga County.

- Home Purchase Loans are Denied More Often for African American Applicants than White Applicants in Northeast Ohio, 4-19-19. Cleveland State University. https://engagedscholarship.csuohio.edu/cgi/viewcontent.cgi?article=2605&context=urban_facpub
- An Uneven Recovery: Home Lending in the Fourth District by Race and Income, 12-3-18. Federal Reserve Bank of Cleveland. <https://www.clevelandfed.org/newsroom-and-events/publications/a-look-behind-the-numbers/albtn-20181128-hmda-summary>
- Cuyahoga County Mortgage Lending Patterns, July 2018. Fair Housing Center for Rights & Research. <http://www.thehousingcenter.org/wp-content/uploads/2018/07/Cuyahoga-County-Mortgage-Lending-Patterns-2018-BEST-FOR-PRINT.pdf>

These persistent and well-documented racial disparities in lending should compel the regulatory agencies to incorporate race and ethnicity in CRA exams. A recent national level analysis by the National Community Reinvestment Coalition (NCRC) showed continuing disparities in loan denials by race and, when people of color received home loans, their equity accumulation was less. <https://ncrc.org/ncrc-2020-home-mortgage-report-examining-shifts-during-covid/>

In a paper co-authored by Relman Colfax PLLC, NCRC asserted 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. **We ask that the rules be amended to explicitly require regulatory agencies to incorporate race and ethnicity into CRA exams.** By including race and ethnicity, CRA can identify and address persistent racial disparities that have direct impacts on quality of life and health outcomes.

Since CRA requires banks to meet the needs of communities, the regulatory agencies must 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. 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.**

The regulatory 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.**

The regulatory 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.**

Advocates have urged the regulatory 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 regulatory 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.**

The proposed 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 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,

Barbara Anderson, Chair
Greater Cleveland Reinvestment Coalition