



VIRGINIA ENVIRONMENTAL JUSTICE COLLABORATIVE
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Washington, DC 20219

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Federal Deposit Insurance Corporation
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Board of Governors of the Federal Reserve Bank
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

RE: Community Reinvestment Act (87 FR33884)

[OCC: Docket ID OCC-2022-0002; FDIC: Docket No. R-1769 and Federal Reserve Board: RIN 7100-AG29; RIN 3064-AF81]

To Whom It May Concern:

This letter is in response to the release of the Interagency Notice of Proposed Rulemaking (NPR) by the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve Board regarding the Community Reinvestment Act (CRA). The Virginia Environmental Justice Collaborative (VEJC) appreciates this opportunity to comment on the Federal Interagency Rulemaking Proposal to the Community Reinvestment Act.

The mission of the Virginia Environmental Justice Collaborative is to build the health and wealth of communities of color, low income communities, and communities overburdened by pollution in Virginia by reducing the disproportionate impact of environmental hazards. This is accomplished through educating, empowering, and mobilizing grassroots organizations and individuals to speak up for themselves, as well as building an alliance to advocate for equitable policies and practices.

While we appreciate efforts by the federal agencies to make thoughtful changes to the Community Reinvestment Act through this proposed rulemaking, we also believe that this is a missed opportunity to



address structural racial inequities that persist in our communities. The federal regulators must adopt explicit race-based criteria that holds banks accountable to serving communities of color.

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.’”

Racist public policies led to a need for CRA; therefore, explicit race-based criteria that hold banks accountable to serving communities of color is necessary to genuinely address decades of race-based disinvestment. *Right now, the proposed rule lacks a proper consideration of race.*

The Virginia Environmental Justice Collaborative proposes the following ways to include a race analysis in CRA exams: assessing bank performance through percentage of home lending to Black, Indigenous, and people of color borrowers, using race to determine additional assessment areas, analyzing lending by race and ethnicity in underserved neighborhoods in all CRA exams (including community development financing and retail lending), considering a bank’s creation and deployment of Special Purpose Credit Programs, and using Section 1071 race data on small business lending in CRA exams. These recommendations should both increase transparency of the context in which banks are doing business, and reward or penalize banks for failing to meet the needs of BIPOC communities.

It is also important to us that the Community Reinvestment Act addresses disparate climate impacts. While banks currently receive some CRA credit on their examinations for investing in disaster recovery efforts, more could be done to support the resilience of communities especially vulnerable to climate change and climate disasters due to decades of disinvestment. The Notice of Proposed Rulemaking includes a new definition of “disaster preparedness and climate resiliency” and lists eligible investments that would provide meaningful support to communities. The Virginia Environmental Justice Collaborative supports this change. In addition to this change, we recommend regulators further explore opportunities to utilize the CRA examination process to understand where bank activities may be harming communities as it may relate to environmental impacts. While proactive investments for climate resilience are helpful, without addressing root causes of climate vulnerability, we risk only deepening the potential impacts communities will face in the future. The CRA exam must address both sides of the coin.

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. The CRA is critical for addressing continuing inequities in our communities:

- Predatory lenders abound in communities of low wealth and exacerbate the problem where we see shuttered businesses, decrepit housing, and abandoned neighborhoods. These settings are ripe for gentrification which triggers investments that were unavailable to historical inhabitants of these communities.
- Incarceration is a consistent trigger for diminished wealth accumulation, showing the need for the CRA to put a particular emphasis on Black and Brown and Indigenous people who are most affected by the criminal legal system to decrease wealth gaps among historically divested communities.
- Black and Latinx families continue to be denied conventional mortgage loans and a disproportionate number of low-income people of color are unbanked or underbanked due to a lack of access to physical bank branches and relevant bank products and services.¹

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 for banks to increase their reinvestment activities over the years.

- Community Benefits Agreements are a tangible way banks can make an impact in our communities, and are incentivized to do so by receiving CRA credit for their investments. Entering into community benefits agreements has impacted the communities we serve, such as the creation of Three Special Purpose Credit Programs targeted to low-and moderate-income communities of color in the recent US Bank/Union Bank Community Benefits Agreement successfully negotiated in May of 2022.
- CRA promotes adequate investments in our low income communities of color, and helps equip them with the resources to fight gentrification.

¹ “A Fair Financial System: Regulating Fintech and Nonbank Lenders.” The Greenlining Institute, November 2, 2021. <https://greenlining.org/publications/2021/regulating-fintech-nonbank-lenders/>.



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Many of the changes proposed by the federal agencies are promising. The notice of proposed rulemaking included:

- *More transparency:* The agencies propose to disclose additional information to the public in CRA evaluations related to the distribution by borrower race and ethnicity of the bank's home mortgage loan originations.
- *Expanded assessment areas beyond physical branches:* Under the new rule, large banks would have the responsibility to lend to people with lower incomes not only in areas around their physical branches but also in places where they have a concentration of mortgage and small business loans. They will also be evaluated based on their lending nationwide.
 - This rule would look more closely at CRA obligations in areas where banks make 100 mortgage loans or 250 small business loans over a two-year period, even if there's no physical branch.
- *Refined and expanded qualifying activity categories:* The Rule proposes a sharper definition of what kinds of activities will receive CRA credit that are focused on LMI, underserved, and rural communities.

Conclusion

The Virginia Environmental Justice Collaborative calls on the OCC, Federal Reserve Board, and the FDIC to meaningfully address decades of race-based disinvestment by including explicit race-based language and requiring additional analysis of race within the Proposed Rulemaking of the Community Reinvestment Act. The Community Reinvestment Act must fulfill the initial intent of the law to end the illegal and discriminatory acts of redlining, and its new frontiers, which have most adversely affected communities of color and their opportunities to build wealth, live in healthy places filled with economic opportunity, and are ready to meet the challenges posed by climate change.

Respectfully,

Queen Zakia Shabazz

Queen Zakia Shabazz, CEO
Virginia Environmental Justice Collaborative