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Re: Community Reinvestment Act Proposed Rulemaking

OCC: 12 CFR Part 25; Docket ID OCC-2022-0002; RIN 1557-AF15
Federal Reserve: 12 CFR Part 228; Regulation BB Docket No. R-1769; RIN 7100-AG29
FDIC: 12 CFR Part 345; RIN 3064-AF81

August 5, 2022

To whom it may concern:

RMI believes that it is critical to recognize and proactively address the linkage between income levels and exposure to climate risks. We strongly support the work of the Federal Reserve, the OCC, and the FDIC to improve the Community Reinvestment Act's (CRA) ability to meet the lending needs of low- and middle-income (LMI) communities.

We are pleased to submit comments on behalf of RMI in response to the Notice of Proposed Rulemaking for amendments to the Community Reinvestment Act of 1977, issued jointly by the Office of the Comptroller of the Currency (OCC), The Board of Governors of the Federal Reserve System (Federal Reserve), and the Federal Deposit Insurance Corporation (FDIC). We are encouraged by the increased clarity and rigor provided through the proposed rulemaking and the inclusion of climate as an area of focus for CRA assessment. Updates to the CRA are critical to meet the modern needs of communities, and we support the progress that would be achieved on this effort through the proposed rulemaking.

As the Financial Stability Oversight Council (FSOC) acknowledged, low-income and historically disadvantaged communities face disproportionately higher climate change risks and impacts.[1] The threat of climate change underscores the importance of modernizing the CRA to ensure that this important tool addresses the dual and compounding challenges of mounting physical and transition risks and their intersection with historically inequitable credit access and lending practices in the US. We believe urgent action is needed to direct capital towards mitigating these increasing risks, and we believe that this proposed rulemaking would improve the baseline for addressing these issues.

Background on RMI and Our Expertise

RMI is an independent nonprofit founded in 1982 that transforms global energy systems through market-driven solutions to align with a 1.5°C future and secure a clean, prosperous, zero-carbon future for all. We work in the world's most critical geographies and engage businesses, policymakers, communities, and NGOs to identify and scale energy system interventions that will cut greenhouse gas emissions by at least 50 percent by 2030.

These comments were prepared by a team of experts with relevant expertise across RMI Programs, including teams focused on financial regulation and equitable housing.

RMI's Center for Climate-Aligned Finance (the Center) helps the financial sector transition the global economy toward a zero- carbon, 1.5°C future. Through deep partnerships in finance, industry, government, and civil society, the Center works to develop decarbonization agreements within high-emitting sectors and support financial institutions in decarbonizing their lending and investing portfolios. By addressing systemic barriers, the Center works to enable more financial institutions to make climate alignment commitments and ensure those commitments can be implemented more effectively.

RMI's Carbon-Free Buildings team (CFB) is focused on developing solutions to equitably transition buildings and communities away from fossil fuels. Given that many of the buildings in the U.S. will still exist in the next 50 years, CFB's approach emphasizes the importance of retrofitting as a technology to decarbonize, future-proof, and create heathier buildings and homes across the U.S. Additionally, the team supports grid decarbonization as a means of reducing emissions across the built environment. Through these levers and more, the Carbon-Free Buildings team works to include all communities in climate mitigation, adaptation, and resilience solutions.

RMI's US Program (USP) informs policy using non-partisan technoeconomic analysis and insights from across the institute. USP's federal policy work involves monitoring and participating in key national policy development on energy issues across all sectors of the economy. USP works to guide agency decisions and legislative action by distilling key findings from RMI's analysis on cost-effective climate solutions.

Our comment begins with an articulation of our support for the proposed rulemaking given the important linkages between the CRA and climate change. Next, we provide RMI's perspective on select questions posed by the rulemaking. Throughout, we offer recommendations for consideration, including additions or adjustments we believe would further strengthen the proposal.

[1] https://home.treasury.gov/system/files/261/FSOC-Climate-Report.pdf

RMI Supports the Proposed Rulemaking

Climate risks are already disrupting normal economic activities[2] and pose a threat to financial stability at all levels of the economy,[3] ranging from individual households to financial institutions and the US financial system overall. These climate risks include both physical risks, such as floods or wildfires, as well as transition risks, which involve risks related to "shifts in policy, consumer and business sentiment, or technologies associated with the changes necessary to limit climate change".[4] In response to these risks, the CRA's original mandate of ensuring equitable access to economic vitality for all, especially LMI communities, is more relevant than ever. Accordingly, we are pleased to see the proposal's inclusion of investments in climate mitigation and adaptation initiatives for LMI communities. The proposal's climate-related criteria for qualifying CRA activities aligns with both the CRA's original mandate and the FSOC's acknowledgement that low-income and historically disadvantaged communities are not only disproportionately impacted by climate change but are also the least equipped to cope with climate shocks.[5]

Without increases in both climate resiliency and mitigation investments, the impacts of climate change on financially vulnerable populations may generate long-term adverse financial consequences and exacerbate existing inequities.[6] LMI communities and communities of color systemically face higher exposure to physical and transition risks, which are increasing in both intensity and frequency.[7] In the same vein, historic disinvestment in infrastructure upgrades across LMI and formerly redlined communities has worsened these inequities. Not only are underserved communities most vulnerable to the growing impacts of climate change, but they also often lack the resources to mitigate and adapt to these challenges and build resiliency. For example, low-income communities are 25% more likely to currently live in areas with the highest projected losses of labor hours due to climate change impacts.[8] Climate risks clearly pose an outsized and growing economic threat to the safety and stability of LMI communities and will continue to exacerbate current inequities without meaningful intervention.

Moreover, the impacts of climate risks are already evident in LMI communities. A survey conducted by the Federal Reserve Bank of San Francisco identified a lack of affordable housing in climate-resilient areas and a lack of savings, which could be used to absorb damages caused by physical climate impacts, as major threats to LMI communities.[9] Socially vulnerable populations, including LMI areas and communities of color, are more likely to live in areas projected to feel the most severe impacts of sea level rise,[10] largely due to their higher likelihood of living in coastal floodplains coupled with poor infrastructure maintenance.[11] LMI and communities of color face significant health hazards, including

[2] https://www.ncei.noaa.gov/access/billions/
[3] https://crsreports.congress.gov/product/pdf/R/R47063
[4] https://home.treasury.gov/system/files/261/FSOC-Climate-Report.pdf
[5] See "Financially Vulnerable Populations", https://home.treasury.gov/system/files/261/FSOC-Climate-Report.pdf
[6] https://www.urban.org/sites/default/files/publication/100079/insult_to_injury_natural_disasters_2.pdf
[7] https://www.epa.gov/system/files/documents/2021-09/climate-vulnerability_september-2021_508.pdf
[8] https://www.epa.gov/system/files/documents/2021-09/climate-vulnerability_september-2021_508.pdf
[9] https://www.frbsf.org/wp-content/uploads/sites/3/climate-related-risks-faced-by-low-and-moderate-income-communities-and-communities-of-color-survey-results.pdf
[10] https://www.scientificamerican.com/article/flooding-disproportionately-harms-black-neighborhoods/
[11] https://www.scientificamerican.com/article/flood-risks-to-low-income-homes-to-triple-by-2050/

higher air pollution exposure[12], reduced access to green space[13], and higher surface temperatures.[14] LMI communities also face structural barriers in addressing climate change, including lower access to upfront capital, lower credit scores, and barriers to homeownership.[15] Additionally, climate impacts can worsen these barriers through reduced access to affordable insurance.[16]

Further, banks with public commitments to act on climate change have both an obligation and an opportunity to address climate impacts across traditionally underserved communities to achieve those commitments. The past two years have produced a multitude of commitments by financial institutions to achieve net-zero by 2050.[17] Such commitments include drastically reducing financed greenhouse gas emissions by driving capital towards investments that support an economy-wide transition from high-to low-emitting assets. Net-zero by 2050 implies a transition of all US sectors and communities.

Accordingly, we encourage regulators to consider how regulatory objectives, particularly those with a focus on LMI communities, can synchronize with private sector objectives and demand. For banks to make good on their climate pledges, they will need to channel climate-aligned financing into LMI communities. As the CRA's history suggests, meaningful investment in LMI communities requires a tailored strategy designed for LMI communities. Long-standing barriers to equitable access to financial products and services are at risk of growing more challenging as a result of climate change, and the urgency of dismantling these barriers is more important than ever.

An economy-wide transition to net-zero will not be feasible and may even induce further systemic vulnerabilities and transition risks if large segments of the population and US economy are neglected.[18] Overcoming these challenges will require a joint effort between regulators and financial institutions to ensure sufficient access to affordable capital for decarbonization and climate resiliency initiatives. We believe that the CRA is a key tool to help achieve this goal given its deep history of ensuring capital equity across income levels.

Accordingly, our high-level recommendations and suggestions for the CRA Modernization Proposal are as follows:

1) **RMI supports the addition of "disaster preparedness and climate resiliency" as qualifying activities within "community development acts."** As climate change accelerates and continues to create disproportionate economic impacts across LMI communities, it is important that key federal actors and financial institutions act to proactively bolster climate resilience, mitigation, and adaptation. By rewarding banks for these categories of investment, the CRA will act to protect LMI communities from further inequity spurred by disparate climate risks and impacts, while also supporting efforts to proactively future-proof assets from the systemic fallout of future climate shocks. We are pleased to see that climate resilient investments are eligible for CRA credit.

[12] https://pubs.acs.org/doi/10.1021/acs.estlett.1c01012
[13] https://www.publichealth.columbia.edu/public-health-now/news/historically-redlined-neighborhoods-are-more-likely-lack-green-space-today-study
[14] https://www.epa.gov/system/files/documents/2021-09/climate-vulnerability_september-2021_508.pdf
[15] https://www.americanprogress.org/article/cra-meet-challenge-climate-change/
[16] https://www.americanprogress.org/article/regulators-should-identify-and-mitigate-climate-risks-in-the-insurance-industry/
[17] https://climatealignment.org/wp-content/uploads/2021/08/state-of-the-market.pdf
[18] https://home.treasury.gov/system/files/261/FSOC-Climate-Report.pdf

2) **RMI recommends further expansion of the list of climate-related eligible activities that receive CRA credit.** While we acknowledge that the proposed list is non-exhaustive, we support the explicit inclusion of a greater number of climate-related activities. By expanding the list, banks will have greater confidence in making urgently needed investments, with the assurance that they will receive CRA credit accordingly. Additionally, communities will have increased clarity regarding which climate-related investments banks are more likely to engage with. We believe this clarity will empower LMI communities with greater and more direct opportunities to foster climate resiliency in their communities. We recommend expanding the list of climate-related eligible activities to include, but not limited to, community solar and microgrids, energy storage, distribution grid modernization, electric vehicle (EV) charging infrastructure, EV municipal fleets, biodigesters, electrification projects, water efficiency projects, and early retirement of fossil fuel emitting assets with zero-emission technology.

Responses to Questions Proposed by the Rulemaking

***Question 5.* Are there alternative ways to ensure that naturally occurring affordable housing activities are targeted to properties where rents remain affordable for low- and moderate-income individuals, including properties where a renovation is occurring?**

RMI agrees that credit should be given for preserving naturally occurring affordable housing that is targeted to LMI renters. While we support targeting properties where rents remain affordable for LMI individuals, including for renovations that would reduce existing energy burdens and lower utility bills across underserved communities, we also recognize that home energy retrofits could further exacerbate housing affordability concerns if properties are rented at a premium after a retrofit upgrade has been completed. Therefore, we encourage the agencies to develop mechanisms to implement tenant protections and closely monitor NOAH activities to avoid such inadvertent outcomes. A recent report developed by the Strategic Actions for a Just Economy (SAJE) outlines policy recommendations[19] to protect tenants from future cost burdens while expanding access to cleaner, healthier, and more affordable housing, which should be referenced when finalizing the CRA rule.

***Question 10.* What changes, if any, should the agencies consider to ensure that the proposed affordable housing definition is clearly and appropriately inclusive of activities that support affordable housing for low- or moderate-income individuals, including activities that involve complex or novel solutions such as community land trusts, shared equity models, and manufactured housing?**

We greatly appreciate the stated proposed adjustments to the CRA to consider affordable housing activities at every level of government, not just Federal Government programs. We support the current proposed additions to the definition of "affordable housing" which includes initiatives that support LMI individuals to "obtain, maintain, rehabilitate, or improve affordable owner-occupied housing,"
We furthermore agree with the agencies' proposed definition for affordable housing which covers four key components, including:

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[19] https://www.saje.net/wp-content/uploads/2021/12/LA-Building-Decarb_Tenant-Impact-and-Recommendations_SAJE_December-2021-1.pdf

1. Affordable rental housing developed in conjunction with Federal, state, and local government programs;
2. Multifamily rental housing with affordable rents;
3. Activities supporting affordable low- or moderate-income homeownership; and
4. Purchases of MBS that finance affordable housing

However, we believe the term “affordability” should be interpreted by regulators in the context of a broad range of regional and borrower specific factors to account for variations in costs of living and opportunities located in and around affordable housing locations. For example, while housing in a rural area may be considered an “affordable” market to LMI individuals, a lack of access to affordable or public transportation, quality employment and educational opportunities, and necessities such as access to affordable grocery stores may ultimately render such a market as unaffordable to LMI individuals when viewed as a sum of its parts. Lifecycle costs of housing should also be considered as hidden costs, like growing utility bills and upkeep costs, can also exacerbate current affordability inequities. We encourage regulators to include such factors in the operating definition of “affordable housing” to appropriately account for all aspects of housing affordability from the perspective of LMI individuals.

Question 14. **Should any or all place-based definition activities be required to be conducted in conjunction with a government plan, program, or initiative and include an explicit focus of benefiting the targeted census tract(s)? If so, are there appropriate standards for plans, programs, or initiatives? Are there alternative options for determining whether place-based definition activities meet identified community needs?**

RMI supports the proposal that place-based definitions be conducted in conjunction with a government plan, program, or initiative. The combination of public and private financing is a powerful tool to provide rapid, widespread change. It is important that banks’ lending be aligned with government efforts to ensure that the investment reaches underserved communities and has the highest impact. Additionally, we support the updated language of “in conjunction,” which expands opportunities for CRA credit, while simultaneously ensuring alignment between government planning and private funding. By utilizing place-based definitions based on government actions, there is greater standardization around which place-based activities are CRA eligible. While RMI supports the consideration of other mechanisms, such as community benefit agreements[20], in determining community support and readiness for development investments, they should be viewed alongside government initiatives and not as a replacement.

Question 17. **Should the agencies consider additional requirements for essential community infrastructure projects and essential community facilities to ensure that activities include a benefit to low- or moderate-income residents in the communities served by these projects?**

RMI supports providing credit for essential community infrastructure projects and essential community facilities so long as these projects have a proven positive impact on disadvantaged communities. These

[20] https://www.policylink.org/equity-in-action/newsletters/banks-cbas#:~:text=Community%20benefits%20agreements%20(CBAs)%20%E2%80%94,financial%20services%20for%20disadvantaged%20communities

large investments can provide widespread economic benefits and reduce exposure to climate risks. However, there is a risk that awarding CRA credit for large-scale projects could stray from the original mandate of providing financing directly to LMI communities if certain guardrails are not put in place.

Potential metrics to measure benefits of these projects might include jobs created for LMI individuals, contracts with local companies, and economic growth-related metrics such as growth in median income for census tract residents. Additionally, environmental improvements, such as greenhouse gas emissions and/or pollution reductions, increases in the amount of accessible greenspace, community health improvements, and climate adaptation strategies should also be considered in CRA assessment to reduce future climate-related impacts to assets. Consideration of environmental impacts should not be a pre-requisite for CRA eligibility but should be an additional and positive factor in assessments. One suggestion is that positive climate impacts should be considered in assessing benefit, with environmentally beneficial projects receiving higher ratings than those that carry risks or harm. Another potential mechanism may include a bank's use of climate considerations in lending decisions being a factor in achieving an "outstanding" CRA rating. To fully understand the implications of essential community infrastructure projects, RMI suggests that the Federal Reserve, OCC, and FDIC provide guidance on how benefits will be measured, displacement and other adverse effects will be assessed, and credit will be awarded for projects that span multiple census tracts.

***Question 19.* Does the disaster preparedness and climate resiliency definition appropriately define qualifying activities as those that assist individuals and communities to prepare for, adapt to, and withstand natural disasters, weather-related disasters, or climate-related risks? How should these activities be tailored to directly benefit low- or moderate-income communities and distressed or underserved nonmetropolitan middle-income areas? Are other criteria needed to ensure these activities benefit low- or moderate-income individuals and communities?**

RMI supports the proposed definition of disaster preparedness and climate resiliency and recommends that it be codified as a part of the final rule. We also recommend that CRA activities related to these definitions be assessed to ensure that they provide a direct, meaningful, and proven benefit to LMI communities. One feasible way to do this includes utilizing the California Climate Investments framework,[21] which works to prioritize investments to maximize benefits for LMI communities. The criteria laid out in the framework are a potential starting point for understanding whether these investments are meeting community needs and providing direct and additional benefits while also serving to advance the underlying goal of increasing resiliency to climate-related risks.

Additionally, we encourage regulators to consider expanding the definition of climate resiliency to explicitly include activities that help LMI communities prepare for climate change and the transition to a decarbonized economy. We believe that the criteria laid out by the proposal for qualifying activities that help communities adapt to physical risks associated with climate change are a sound starting point. However, withstanding climate-related risks includes both resilience to physical risks and transition risks, and we believe it is worth calling attention to investments that support LMI communities in

[21] https://ww2.arb.ca.gov/sites/default/files/auction-proceeds/ccidoc/criteriatable/criteria-table-landcon_draft_2021-05-03.pdf

withstanding transition risks by keeping them aligned with the speed and scale of the transition that is happening nationwide and globally. Otherwise, LMI communities stand to lose out significantly as decarbonization in these communities is delayed or neglected due to a lack of investment. Due to network effects, costs will be highest for the last communities to transition, such as through increasing fuel supply costs for outdated fossil fuel infrastructure. LMI communities today already face a disproportionately high energy burden, partially due to fossil fuel assets.[22,23] As analog, a lack of access and development for broadband internet in rural communities has slowed their economic growth and leaves rural customers with paying higher installation and maintenance costs for a poorer quality of service in comparison to urban Americans.[24,25] Similarly, a lack of investment in keeping LMI communities aligned with the transition may induce slower economic growth and higher costs of living in comparison to higher income communities.

***Question 20.* Should the agencies include activities that promote energy efficiency as a component of the disaster preparedness and climate resiliency definition? Or should these activities be considered under other definitions, such as affordable housing and community facilities?**

RMI suggests that energy efficiency activities be considered under affordable housing and community facilities. By considering these activities under this category, RMI believes that this will ensure that CRA-eligible activities are most targeted to underserved populations. Energy efficiency efforts have immense positive impacts and should be included under CRA eligibility. By promoting energy efficiency, homeowners receive benefits including lower energy usage and subsequent reduced costs in addition to benefits like increased climate resilience. RMI suggests that the Federal Reserve, OCC, and FDIC expand the list of qualifying activities under energy efficiency to provide clarity to banks and communities about which activities will qualify and should be prioritized. A non-exhaustive list of activities to add to the proposed list include energy efficient upgrades for residential and commercial buildings including appliance and fixtures replacements, weatherization, improved insulation, window replacement, heat pump purchase and installation, HVAC systems, and education for building owners and tenants on energy efficiency. We also encourage the Federal Reserve, the FDIC, and the OCC to consult with the Office of Energy Efficiency and Renewable Energy (EERE) at the Department of Energy to develop a prioritized, regional-specific list of efficiency upgrades and standards to be included in the final rulemaking to provide banks and communities with a more useful starting point for investment.

Building efficiency upgrades can either reduce demand for electrified or fossil fuel powered end uses. Disaster prepared and climate resilient homes are "electrified", and therefore not reliant on oil or gas for heating and cooling. It is important to treat these types of efficiency upgrades differently, and RMI opposes "efficiency" investments for fossil fuels, such as high efficiency gas furnaces, which may reduce energy consumption in the short term, they can prolong reliance on fossil fuels for the furnace's useful life. Additionally, the lifetime of these technologies can be a decade or more. The Federal Reserve, OCC,

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[22] https://www.canarymedia.com/articles/energy-equity/build-back-better-act-would-reduce-burden-of-household-energy-costs

[23] See "Customers and Communities", https://utilitytransitionhub.rmi.org/

[24] https://www.nytimes.com/2021/05/17/business/infrastructure-rural-broadband.html

[25] https://www.bcg.com/publications/2018/economic-case-bringing-broadband-rural-united-states

and FDIC should consider differentiating between high and low carbon-intensive energy efficiency projects.

Question 21. **Should the agencies include other energy-related activities that are distinct from energy-efficiency improvements in the disaster preparedness and climate resiliency definition? If so, what would this category of activities include and what criteria is needed to ensure a direct benefit to the targeted geographies?**

RMI supports the inclusion of other energy-related activities under the disaster preparedness and climate resiliency definition. We recommend that activities such as community solar projects and electrification efforts that benefit targeted communities be considered for CRA credit. Additionally, we recommend that the following projects are included in energy-related activities, so long as they benefit LMI communities: energy storage systems, distribution grid modernization, EV charging infrastructure and municipal fleets, biodigesters, and the transition of fossil fuel-emitting assets (e.g., natural gas or coal power generation, polluting manufacturing facilities, etc.) to cleaner generation. Related to question 20, the benefits of energy efficiency investments are increased substantially when such efforts are combined with electrification. Investments in electrification and renewable energy together will provide durable, compounded benefits to mitigate both short- and long-term climate risks and bolster climate resilience. The CRA should consider how, if at all, these compounded benefits can be reflected in the ways in which credit is awarded for climate-related lending in LMI communities.

Question 22. **Should the agencies consider utility-scale projects, such as certain solar projects, that would benefit residents in targeted census tracts as part of a disaster preparedness and climate resiliency definition?**

RMI supports the consideration of utility-scale projects as part of a disaster preparedness and climate resiliency definition, so long as there is proof that this project was primarily funded through CRA support and there is evidence that such benefits are distributed to LMI communities. As discussed in Question 17, potential economic growth metrics to measure such benefits could include job creation or income growth of census tract residents. To qualify projects with intended positive impact in CRA census tracts, planning efforts to provide local contracting, procurement, and job creation, particularly for LMI individuals, should be taken into account while assessing CRA eligibility for the project. Utility-scale projects often can provide transformative benefits, including job creation and rapid increases of climate mitigation and resiliency, and these impacts should be recognized as having positive, wide-spread impacts. However, utility-scale investments usually have access to other funding sources, including federal tax credits, Department of Energy loans, and private financing.[26] If there is a proven lack of external funding coupled with documented focus on providing benefit to LMI communities and evidence of such benefits, RMI supports awarding CRA credit proportional to the percentage of benefit provided to LMI communities.

[26] https://www.nrel.gov/docs/fy12osti/48685.pdf

***Question 37.* For the proposed factor of activities that support affordable housing in *high opportunity areas*, is the proposed approach to use the FHFA definition of *high opportunity areas* appropriate? Are there other options for defining *high opportunity areas*?**

RMI supports interagency consistency in defining "high opportunity areas" and we agree with using the FHFA definition. We also encourage the definition of "high opportunity areas" to be expanded to consider climate resilience factors, such as adequate grid capacity of electrification upgrades, investments in city-wide resilient infrastructure, and other opportunities to reduce climate-related risk.

***Question 173.* Should the agencies disclose HMDA data by race and ethnicity in large bank CRA performance evaluations?**

RMI encourages the Federal Reserve, OCC, and FDIC to disclose HMDA data by race and ethnicity in large bank CRA performance evaluations. Research shows correlations between formerly redlined areas, and subsequently communities of color, and heightened exposure to climate-related risks.[27] Disclosing data on race and ethnicity data can help the CRA hold banks accountable to serving their communities' housing needs. By disclosing such HMDA data, large banks can be more accurately evaluated by the public on their ability to meet the credit needs of borrowers of color, promote equitable lending practices, and reduce ongoing environmental, racial, and social injustices across the housing market.

***Question 175.* Is there additional data the agencies should provide the public and what would that be?**

We encourage the Federal Reserve, OCC, and FDIC to monitor, investigate and publicly report on the affordability and availability of essential financial services and capital in CRA assessment areas. We agree with Comptroller Hsu that collecting such data is highly important and would be essential in ensuring that LMI communities do not face the added burden of diminishing access to the financial services and capital needed to mitigate and recover from growing climate-related risks and impacts.[28] As we have discussed above, LMI communities today face disproportionately higher exposures to climate-related risks and such exposures will continue to grow unless capital is invested in solutions necessary to adequately address them. We fear, however, that financial institutions seeking to minimize their exposure to climate-related risks may reduce their footprint in these communities as a form of risk mitigation.

Evidence of this phenomenon can already be seen today in areas of the US that are chronically affected by intensifying natural disasters. Since 2015, the rate of insurer-initiated policy non-renewals has grown in wildfire-prone areas of California, forcing tens of thousands of businesses and homeowners into costly, state-mandated insurance pools where, in some cases, they must pay two to three times more than their previous policy.[29] This dynamic can be even further exacerbated when low-income

[27] Lily Katz, "A Racist Past, a Flooded Future: Formerly Redlined Areas Have $107 Billion Worth of Homes Facing High Flood Risk—25% More Than Non-Redlined Areas," Redfin News, March 14, 2021,https://www.redfin.com/news/redlining-flood-risk/.

[28] https://ncrc.org/ncrc-hosts-a-conversation-with-occ-acting-comptroller-hsu/

[29] https://www.courthousenews.com/insurers-busy-dropping-california-homes-and-businesses-over-wildfires/

communities with relatively lower risk of weather damages are displaced by the relocation of higher-income households, which can make these communities increasingly unaffordable in a cycle known as "climate gentrification."[30] RMI would like to see additional research from the OCC, FDIC, and the Federal Reserve on this potential feedback loop to determine 1) to what degree this is a concern for LMI communities and 2) what can be done now to mitigate this tension through the CRA framework alongside other government programs and initiatives.

Conclusion

RMI believes that it is critical to recognize and proactively address the linkage between income levels and exposure to climate risks. We strongly support the work of the Federal Reserve, the OCC, and the FDIC to improve the Community Reinvestment Act's (CRA) ability to meet the lending needs of low- and middle-income (LMI) communities. We commend the Federal Reserve, the OCC, and the FDIC in their collaboration to modernize the CRA and serve the modern credit needs of LMI communities across the United States. The proposal in its current form would be a substantial improvement in ensuring access to economic vitality for all, especially as climate change threatens economic stability and growth across the US, and especially in LMI and historically disadvantaged communities. We believe our recommendations herein would further reinforce the proposal, and we hope they are valuable in formulating the final update to the existing rule.

Expanding the CRA to address the need for climate resiliency is critical to ensuring equal opportunities for economic vitality for all communities, regardless of income, race, or socio-economic class. We stand ready to provide additional background and resources to support the Federal Reserve, the OCC, and the FDIC as they continue to address the link between income and climate vulnerability to proactively mitigate the physical and transition risks of climate change in LMI communities. If there are any questions regarding the points highlighted here, or if you would like further information, please let us know.

Thank you very much for your consideration and extensive investment in these issues. Your work and attention to this topic are deeply appreciated.

Sincerely,

Brian O'Hanlon

Brian O'Hanlon
Sarah Ladislaw
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cc: Acting Comptroller Michael Hsu

[30] https://iopscience.iop.org/article/10.1088/1748-9326/aabb32/pdf

Acting Chairman Martin Gruenberg
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