also known as:
Northeast South Dakota Community Action Program
Northeast South Dakota Economic Corporation

104 Ash Street East, Sisseton, SD 57262
Phone (605) 698-7654 Fax (605) 698-3038 www.growsd.org

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GROW South Dakota 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 the CRA regulation and exams in 27 years.

GROW South Dakota is a rural non-profit and CDFI serving the State of South Dakota. There are several factors in the proposed CRA changes we applaud, such as the automatic inclusion of certified CDFIs for automatic CRA eligibility. In addition to CDFIs, we ask for consideration to add certified NeighborWorks organizations to also be automatically included. NeighborWorks America is a congressionally chartered non-profit and has a robust network of certified housing organizations that serve underserved markets, like the CDFI Fund.

Rural areas are often remote and removed from CRA opportunities. We lack bank facilities. With limited access to large-size banks, rural areas rely on CRA investments from our intermediate small banks (ISB). Increasing the small asset bank threshold from $346 million to $600 million will remove community development finance responsibilities to small, rural areas as additional banks drop out of CRA requirements. Likewise, re-classifying large banks to ISB banks removes service testing from additional facilities in rural. In an attempt to reduce the burden on smaller-asset banks, the offset of a loss of reinvestment activities to rural areas is too risky when our rural areas are struggling and underserved as it is.

To counter this, it appears the complex changes to the scoring for CRA ratings are adding geographic retail lending activities outside facility-based assessment areas. In rural communities, with populations under 5000, adding a minimum of 100 housing or 250 small business loans to geographically be counted is too high. We ask you to consider lowering those thresholds. While including geographic activity is positive, there is no way to quantify the impact this will have on CRA investments into rural areas. Still, we are hopeful that allowing consideration of community development activities outside of a bank's assessment area will incentivize banks to invest in high-need rural areas.

Our final thoughts are on the weighting of the retail and community development tests. It seems that the scoring would make obtaining an “Outstanding” rating very difficult for banks. We do not want to see banks demotivated to make CRA investments or to settle with a “Satisfactory” rating. Perhaps a slight shift on the weighting would be a healthier place to start.

Thank you for giving us the opportunity to provide our feedback.

With respect,

GROW SOUTH DAKOTA