

From: Yonina Gray <Yonina.Gray@reinvestment.com>
Sent: Thursday, August 04, 2022 6:06 PM
To: Comments
Subject: [EXTERNAL MESSAGE] CRA RIN 3064-AF81: NPR Reinvestment Fund

To Whom It May Concern:

Reinvestment Fund 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. CRA will be more effective in bolstering bank reinvestment activity in underserved communities, the more rigorous CRA exams and ratings are. 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. This comment details why **Reinvestment Fund does not support the current modernization proposal represented in the notice of proposed rulemaking.**

Reinvestment Fund is a certified Community Development Financial Institution (CDFI) committed to building strong, more equitable communities by making health, wellbeing, and financial security available and accessible to families, regardless of income or zip code. We marshal the capital, analytics, and expertise necessary to build strong, healthy, and more equitable communities. Reinvestment Fund is committed to overcoming these barriers and making communities work for all people. Our diverse team of experts in data, finance, urban planning, sustainability, and community development are dedicated to ensuring people in all communities have the opportunities they strive for: affordable places to live, access to nutritious food, schools where their children can succeed, and strong, local businesses that support good, long-term jobs. We respond nimbly to new opportunities for impact and meet challenges with creativity and perseverance. Using analytical and financial tools, we strengthen neighborhoods, scale social enterprises, and create resilient communities, where everyone can thrive and prosper.

In fact, CRA legislation has helped engineer a very productive relationship between CDFIs and banks. With capital from CRA-motivated banks, Reinvestment Fund combines debt capital, grants, data and technical assistance to support high impact projects for low- and moderate- income communities. CRA is essential to the work of mission-driven Community Development Financial Institutions (CDFIs), and its impact is substantial. CRA capital has also allowed CDFIs like Reinvestment Fund to continually demonstrate our unique value proposition to the community development sector as follows:

- Take more risks and drive innovation in community development financing.
- Effectively leveraging, scaling and pushing capital into hard-to-reach communities.
- Build the capacity of smaller CDFIs – and strengthen the CDFI industry nationally.
- Aligning capital, data, policy knowledge and execution ability with public policy goals.

The proposed rule would minimize the incentive for banks to partner with CDFIs that have historically made high impact investments into LMI communities, posing a serious threat to the community development finance sector.

Persistent racial disparities in lending should compel the agencies to incorporate race and ethnicity in CRA exams. A recent [national level analysis](#) showed continuing disparities in loan denials by race and when people of color received home loans, their equity accumulation was less. It is widely held 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. By

including race and ethnicity, CRA can identify and address persistent racial disparities that have direct impacts on quality of life and health outcomes. We know that lower-income communities and communities of color have been the [hardest hit by COVID-19](#), driving them deeper into poverty. CRA will be essential for their economic recovery. Reinvestment Fund hopes agencies will reconsider the NPR to ensure any new rules should help lower-income communities and communities of color recover from COVID-19, and not make things worse for them

Since CRA requires banks to meet the needs of communities, the 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 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 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 NPR is a good start, but Reinvestment Fund urges the agencies to do the following to ensure the intended meaningful community impact:

1. Persistent and worsening racial inequality must be addressed through consideration of race on CRA exams. Require banks to gather and report disaggregated racial and demographic data as part of the CRA exams.
2. CRA exams should expand to include data already being collected under the SSBCI program, Section 1071, and HMDA should be a part of the bank's evaluation. For example: if the HMDA data shows that the bank has failed to serve the entire community, it should not pass its CRA exam. Banks should not be able to pass if they aren't lending to people of color, and they also should not pass if they are only offering expensive products that don't actually serve the needs of the community.
3. Geographical areas on CRA exams must not only include areas where banks have branches but areas beyond branch networks with significant amounts of bank lending and/or deposit activity. Opportunities for public comment on merger reviews must be enhanced. Agencies should encourage community benefit agreements (CBAs) and should more regularly employ conditional approvals to rectify weaknesses in CRA and fair lending performance.
4. CRA reform must include subtests that evaluate retail lending, retail services and community development financing and services. Requirements to engage in retail and community development activities must not be relaxed for banks that are currently examined for their performance on these activities.

5. CRA reform should build upon the years of collaboration and interdependency between banks and CDFIs. The CDFI industry fills an ever-widening gap in the financial sector as bank consolidation has removed community development staff at banks from many communities. CDFIs are the ‘last mile’ of the community development finance chain, and increasingly are relied on by banks and regulators to connect communities to capital and reduce the systemic risks of capital disconnects in the American economy.

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. CRA is foundational to the entire community development ecosystem. Any changes to this critical tool should at a minimum seek to maintain the critical partnerships and practices that have supported community development in LMI communities across the country. Ideally, it should seek to strengthen our collective ability to deliver impactful products and services to communities in need. The proposed measures instead allow banks to receive CRA credit for doing the bare minimum through the largest and fastest deals, to the detriment of LMI communities. The proposed rule decouples CRA from outcomes for intended communities, will cut out community organizations that work directly with these targeted communities, and lacks transparency. As such, Reinvestment Fund opposes the rule as proposed and urges the agencies to re-publish a proposed rule for further public comment prior to proceeding with a final rule.

Thank you for your consideration of our comments. Please contact Reinvestment Fund’s president & CEO, Donald Hinkle-Brown at donald.hinklebrown@reinvestment.com with any questions or comments.



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