

August 5, 2022

Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551  
Re: Docket No. R-1769; RIN 7100-AG29

Federal Deposit Insurance Corporation  
550 17th Street NW  
Washington, DC 20429  
Re: RIN 3064-AF81

Office of the Comptroller of the Currency  
400 7th Street SW, Suite 3E-218  
Washington, DC 20219  
Re: Docket ID OCC-2022-0002  
To Whom It May Concern:

Opportunity Finance Network (OFN) appreciates the opportunity to comment on the “Notice of Proposed Rulemaking (NPR) on Reforming the Community Reinvestment Act Regulatory Framework.” Our organization strongly supports the Community Reinvestment Act (CRA) while acknowledging there are aspects of the law and its administration that can be improved.

OFN is a national network of more than 370 community development financial institutions (CDFIs). CDFIs are specialized lenders - community development banks, credit unions, loan funds and venture capital funds – that invest to benefit low-income and low-wealth communities across America. OFN’s membership has originated \$91 billion in financing in urban, rural, and Native communities through 2020. This financing has helped to create or maintain 2.19 million jobs, start or expand 535,000 businesses and microenterprises, and support the development or rehabilitation of over 2.23 million housing units and more than 13,000 community facility projects.<sup>1</sup> These are loans and investments that would not be made but for CDFIs’ mission-driven business model – mainstream financial institutions are unable or unwilling to invest in projects and communities considered unprofitable.

### **CDFIs and the Community Reinvestment Act**

Over the past 45 years, CRA has helped bring affordable housing, small businesses, jobs, and banking services to communities struggling with historic disinvestment. Part of the 1977 Housing and Community Development Act, CRA is a landmark civil rights accomplishment, rooted — along with the Voting Rights and Fair Housing Acts — in the Civil Rights Act of 1964. Together, these laws have taken us closer to being a nation that lives up to its founding principles of equality for all.

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<sup>1</sup>Opportunity Finance Network, “Inside the Membership: Statistical Highlights from OFN Membership: 2020”, Published April 14, 2022. Accessed July 1, 2022.

[https://cdn.ofn.org/uploads/2022/04/14153742/OFN\\_Inside\\_The\\_Membership\\_FY2020.pdf](https://cdn.ofn.org/uploads/2022/04/14153742/OFN_Inside_The_Membership_FY2020.pdf)



Inspired by the civil rights movement, the very first CDFIs set out more than 40 years ago to prove that access to affordable, responsible credit can transform a community. There are now more than 1,300 CDFIs certified by the Department of Treasury's Community Development Financial Institutions (CDFI) Fund with more than \$222 billion in total assets.<sup>2</sup> With cumulative loan loss rates of less than 1 percent, CDFIs lend prudently and productively in exactly the low- and moderate-income (LMI) communities that are the focus of CRA.<sup>3</sup>

Banks often partner with CDFIs to enter new markets that were previously ignored or redlined. These communities have reaped benefits, not only from the growth in CRA-motivated capital, but also from the partnerships between banks and CDFIs. Banks and CDFIs know that working in partnership can enhance both institutions' effectiveness in reaching underserved markets. In fact, CRA-motivated bank debt has been a key driver in the expansion of community development loan funds — data from OFN's members show that funds borrowed from banks grew from \$775 million in 2005 to \$4.7 billion in 2020.<sup>4</sup>

### **Proposed Reforms to the Community Reinvestment Act Regulations**

OFN is pleased to provide comments on the proposed CRA revisions. Our comments reflect a commitment to a community development finance industry in which banks and CDFIs are important partners in expanding access to capital and credit.

The proposed reforms represent a "once in a generation" opportunity to shape the community development finance ecosystem. These significant new regulations update the CRA in critical ways, bringing them more in line with the current financial services marketplace.

We are especially pleased to see the Federal Deposit Insurance Corporation, the Federal Reserve, and the Office of the Comptroller of the Currency adopt a joint regulatory framework, avoiding the risk of regulatory arbitrage with banks "flipping" their charters from one agency to another to find the most advantageous regulations.

However, the proposal also misses opportunities to further expand the impact of CRA, especially as a tool for advancing racial equity.

Reforms to the CRA regulatory framework must advance the primary purpose of the statute: assuring that banks provide appropriate access to capital and credit to their communities. Many of the proposed reforms to the CRA regulatory framework are positive reforms, among them:

- ***Recognition of the critical role CDFIs play in helping banks meet their CRA obligations.*** OFN is pleased to see the regulators acknowledge the value of CDFIs as bank partners that help drive credit and capital to underserved markets. CDFIs have demonstrated that when you remove access to credit as a systemic barrier, communities in

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<sup>2</sup> CDFI Fund FY 2019 Annual Certification Report database.

<sup>3</sup> Opportunity Finance Network, 2020 Annual Member Survey Database. Accessed July 7, 2022.

<sup>4</sup> Id at 4.



decline begin to come back and even thrive. Today, CDFIs provide financing where it is needed most— to marginalized people throughout the United States, as well as in persistently poor inner cities, the Delta, Appalachia, Indian Country, and in other struggling communities.

However, while the NPR makes important strides in codifying the partnerships between CDFIs and banks, there are areas where the language must be strengthened and improved to remove ambiguity about how CDFIs should be treated.

**We strongly urge the agencies to retain and emphasize the language on page 93 that places ALL CDFIs, including CDFI banks and CDFI credit unions, on an equal footing with Minority Depository Institutions (MDIs) and Low Income Credit Unions (LICUs) as qualifying for CRA consideration regardless of their location relative to an examined bank's assessment area.**

In particular, OFN urges the agencies to affirm that “All activities with Treasury Department-certified CDFIs would be eligible CRA activities. Specifically, lending, investment, and service activities by any bank undertaken in connection with a Treasury Department-certified CDFI, at the time of the activity, would be presumed to qualify for CRA credit given these organizations would need to meet specific criteria to prove that they have a mission of promoting community development and provide financial products and services to low-or moderate-income individuals and communities.”

The agencies propose two other changes to the regulation involving MDIs, Women-Owned Depository Institutions (WDIs), LICUs, and CDFIs. The regulations should ensure that CDFIs are explicitly included in key provisions, specifically:

- **The regulation should explicitly include “CDFIs” in language related to consideration for “investments, loan participations, and other ventures undertaken by any bank, including by MDIs and WDIs, in cooperation with other MDIs, other WDIs, or LICUs”.**<sup>5</sup> CDFI banks are the only set of CRA-regulated depositories that are annually certified as having a mission focus and primarily serving LMI communities, and LICUs and CDFI credit unions do not have perfectly overlapping customer base or service areas. It is critical the regulation explicitly include CDFIs in this section to clarify that activities undertaken with all CDFI types will receive positive consideration.
- The agencies also seek feedback on whether activities undertaken by an MDI or WDI to promote its own sustainability and profitability should qualify for consideration but

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<sup>5</sup>Page 92 of NPR.  
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does not include CDFI banks in this section.<sup>6</sup> There should be language explicitly including CDFI banks in this section of the regulation.

- *Including CDFIs on the proposed list of Impact Review Factors.* In addition to the proposal's explicit recognition of activities conducted in conjunction with CDFIs, many aspects of the impact review point to the benefit of partnering with CDFIs for their deep market knowledge. Impact Review Factors would capture activities that are particularly impactful and responsive to community credit needs. As OFN member LIIF notes, "including activities that support CDFIs on this list acknowledges the role that we play in providing tailored, flexible, affordable, and accessible capital to community partners."<sup>7</sup>
- *Updating assessment areas.* OFN applauds the long-awaited revision to assessment areas to reflect shifts in the financial services industry away from deposit-based banking. The proposed rule would provide banks with consideration for activities outside their deposit-based areas, as well as align examinations and accountability more closely with financial institutions' actual markets and lending. These shifts have long been a priority for OFN and its members.
- *Expanding activities considered in CRA exams.* The inclusion of additional activities in the lending test, including automobile lending, online lending, and credit card lending, more accurately captures financial institutions' provision of service to consumers and helps ensure all activity meets the needs of communities.
- *Including a Community Development Test.* A Community Development Test that incorporates both qualitative assessment and qualitative review recognizes the significant role community development lending and investment play in banks' ability to meet the needs of their markets and reflects the need for a flexible and tailored approach to assessing those activities. However, key aspects of the Community Development Test must be improved and are noted in the sections below.
- *Expanding consideration of community development activities conducted outside of bank assessment areas.* Bank branch locations do not always align with the neighborhoods most in need of investment, and this is particularly true for the communities CDFIs serve. The agencies' proposed geographic flexibility can help bring community development capital to more neighborhoods. This expansion will be especially useful for Native and rural communities, where banks have limited assessment areas.
- *Shifting toward data-driven evaluations.* Grounding CRA review in data will better indicate gaps in lending, investment, and services. Collection of additional data about small business

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<sup>6</sup>Page 93 of NPR.

<sup>7</sup> Daniel A. Nissenbaum, "CDFI Wins, Opportunities, and Challenges in the Proposed CRA Rule," LIIF, Published July 15, 2022. <https://www.liifund.org/justgoodcapital/2022/07/15/cdfi-wins-opportunities-and-challenges-in-the-proposed-cra-rule/>



lending, including information about deposits, race, and ethnicity of borrowers will also enhance regulators, bank partners, and the public's understanding of the full scope of bank lending in underserved communities. Data must, as the proposal notes, be complemented by more flexible qualitative reviews to foster innovation and adjust to local markets and partners.

- *Creating greater incentives for investments in Native communities.* OFN is pleased to see both an expanded definition of what is considered a "Native Land Area," as well as greater clarity and specificity about what activities qualify for CRA credit. This could help stimulate additional investments in Native markets that traditionally receive little CRA investment — as well as increase opportunities for more bank partnerships with Native CDFIs.

### **Areas of Improvement Needed to Strengthen the Proposed Rule**

While many areas of the proposal move CRA in the right direction, there are key areas of the Notice of Proposed Rulemaking (NPR) that must be improved:

- ***Failing to include explicit consideration of race.*** The proposed rule misses important opportunities to advance racial equity, a goal well within the intent of the legislation. The agencies must uplift — rather than downplay — the law's history as civil rights legislation designed to address the impacts of racial discrimination in banking.

The original intent of CRA was to address racial inequality, but it has essentially used income as a proxy for race since the law passed. This is woefully inadequate — recent analysis from the Urban Institute has demonstrated income is not a substitute for race.<sup>8</sup> While CRA does examine service to low- and moderate-income (LMI) people and communities, "LMI" and "minority" are far from the same; most LMI people are White and many Black and Latinx people are not LMI.

At the same time, rates of home and business ownership for people of color — which are critical to overcoming racial wealth gaps — are significantly below those for Whites, even after considering inter-group income disparities. For CRA to fully realize its potential and statutory purpose, there must be an ongoing commitment to increasing lending and investment in communities of color.

The law itself is not race-blind — there are already explicit references to race in the legislation, including allowing investments with MDIs, WDIs, and LICUs in minority communities to count for CRA credit. The law also requires reporting to Congress a

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<sup>8</sup> Laurie Goodman, Linna Zhu, Ellen Seidman, Janneke Ratcliffe, Jun Zhu, "Should the Community Reinvestment Act Consider Race?" Urban Institute. Published December 20, 2021.

<https://www.urban.org/research/publication/should-community-reinvestment-act-consider-race>



comparison of depository institutions' lending in "minority neighborhoods" and other distressed areas.

In other proposals, regulators took steps forward in acknowledging the importance of race in CRA. In the Advanced Notice of Proposed Rulemaking put forth by the Federal Reserve in September 2020, the Federal Reserve sought input on the how race should be more explicitly considered in a bank's CRA exams. However, in this NPR, the agencies have pulled back from nearly any substantive discussion of how race will be included in this reform effort. The agencies do acknowledge in the preamble that CRA is a tool to rectify the racial injustices of redlining — and other systemically inequitable policies — and the law must "continue to recognize that CRA and fair lending are mutually reinforcing."

OFN is disappointed that the NPR does not propose significant additional policy to advance racial equity beyond retaining the current provisions that bank assessment areas are prohibited from reflecting illegal discrimination or arbitrarily excluding low-or moderate-income census tracts and that CRA ratings can be downgraded because of discriminatory practices. The only new proposal specifically directed toward race is that, for large banks, the agencies would disclose the distribution of race and ethnicity of the bank's home mortgage loan originations and applications in each of the bank's facility-based assessment areas, and as applicable, in its retail lending assessment areas. But these data are not used in a bank's evaluation. It is also not clear how much of the data will be released to the public.

This is hardly sufficient given that racial inequities in access to capital, credit, and economic opportunity persist — and are growing nationwide. There has been little measurable progress in closing the racial wealth gap since the passage of CRA. The CRA is a primary tool in regulators' toolbox to bridge the racial wealth gap and this proposed rule should do more of this critical work.

**To this end, incorporating race into the CRA can be achieved in the following ways:**

- Adding performance measures and creating benchmarks and metrics to assess lending, investing and services to people of color and communities of color.
- Providing CRA credit for banks that invest in CDFI products designed to address racial inequity.
- Enforcing anti-discriminatory activity across all elements of CRA, including avoiding arbitrarily excluding communities of color when banks designate assessment areas. This may also include incentives to invest in areas that meet certain criteria, like majority-minority census tracts, to explicitly support communities of color.
- Requiring banks to collect and disclose comprehensive racial and demographic data as part of the CRA exam and allowing banks to fail CRA exams if they are not lending to people of color or serving the needs of the community.



- Including data collected under the Fair Lending Act, State Small Business Credit Initiative, and Home Mortgage Disclosure Act as part of the bank's evaluation.
- Expanding the use of Special Purpose Credit Programs to meet the needs of communities of color.

OFN also urges the agencies to review the extensive proposals developed by the National Community Reinvestment Coalition (NCRC) and Relman Colfax PLLC for incorporating race into exams without violating the Constitution and related existing legal standards.<sup>9</sup>

- ***Failing to include explicit consideration for people with disabilities (PWD) in CRA.***  
OFN also urges the agencies to provide explicit consideration for activities designed to support individuals with disabilities. As the National Disability Finance Coalition notes, people with disabilities and their families face significant barriers accessing traditional financial products and services, accumulating assets or savings, financing a home, an education, or a business, or purchasing an accessible vehicle. In addition to the challenges faced by individuals, the institutions that serve the diverse needs of people with disabilities and their families have a difficult time securing the capital needed to develop, renovate, and maintain affordable housing, community facilities, and workspaces.

The FDIC has studied this issue for years, providing statistics such as the following to illustrate the systemic barriers faced by PWD and their unequal access to investment capital and financial services in the 2019 Household Survey:<sup>10</sup>

- Households with a disability were more than three times as likely to be unbanked as households with no disability (16.2% versus 4.5%).
- Households with disabilities were more likely to rely on bank tellers and less likely to use online or mobile options. Forty-seven percent of households with a disability used online or mobile as the primary method to access their account compared with 66% of households with no disability.
- Less than half of working-age disabled households (49%) used bank credit cards, compared with 76% of working-age nondisabled households.
- Forty percent of working-age disabled households were denied credit, offered less than they applied for, or did not apply for fear of being turned down, compared to 23% of working-age nondisabled households.

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<sup>9</sup> National Community Reinvestment Coalition, "NCRC Issues Initial Analysis of Historic Community Reinvestment Act Overhaul Proposal," Published June 1, 2022. <https://ncrc.org/ncrc-issues-initial-analysis-of-historic-community-reinvestment-act-overhaul-proposal/>

<sup>10</sup> Federal Deposit Insurance Corporation (FDIC), How America Banks: Household Use of Banking and Financial Services, 2019 FDIC Survey. Published October 2020. <https://www.fdic.gov/analysis/household-survey/2019report.pdf>



While the majority of people with disabilities live in poverty, even those people with disabilities who can hold a good paying job experience disproportionate financial vulnerabilities due to the high costs of living with a disability, such as the expenses of accessible van conversions, assistive technology, and home renovations. In many cases, these individuals might not fall with the LMI designation, but would still be well served by being designated as an allowable activity or market for CRA credit.

- ***Increasing the rigor and weighting of the Community Development Test.*** The proposed rule's weighting of retail test performance and community development performance could have unintended consequences of undermining the importance of community development in CRA. As currently structured, community development performance would not affect most large banks' overall CRA rating because retail test performance is weighted heavier (60%) than community development performance (40%). The proposed weight of 40% given to community development does not reflect its importance to community reinvestment.

Under the new ratings system, very few banks would be able to achieve an Outstanding rating. As the National Housing Conference and other stakeholders note — if an Outstanding retail test rating is not achievable, a bank will receive an overall Satisfactory rating even if its Community Development Test score is Needs to Improve as long as its retail test score is Low Satisfactory – a standard that nearly all banks are likely to meet or exceed.<sup>11</sup> Banks could dramatically scale back their community development activities without impacting their overall rating. This can have devastating consequences on the community development finance ecosystem and the CDFI industry.

**OFN recommends rebalancing the retail test performance and community development test performance so that each would account for 50% of a bank's rating. This would ensure that community development performance is still an integral part of a bank's CRA rating.**

- ***Improving consideration of equity investments in the Community Development Financing Test.*** While OFN appreciates the agencies' consideration of community development financing activities as an integral part of CRA, the test as it is currently structured may deemphasize proven tools including the New Markets Tax Credit (NMTC) and the Low-Income Housing Tax Credit (LIHTC). Under the new rule, large banks will have a Community Development Financing Test that combines many of the activities previously evaluated as community development lending and community development investments.

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<sup>11</sup> David M. Dworkin, "Could the future of CRA be in doubt?" National Housing Conference, Published Sunday, July 10, 2022. <https://nhc.org/the-future-of-cra-is-in-doubt/>





OFN members and other stakeholders expressed concern that this combined evaluation of community development loans, investments, and services would cause a shift in banks CRA activities away from more complex, time consuming but impactful activities like making equity investments in or grants to CDFIs, in favor of making more community development loans.

As the National Association of Affordable Housing Lenders (NAAHL) notes, banks may be motivated to shift their community development activities from equity investing to lending because equity investments:

- Require banks to hold more capital.
- Are less senior in the capital stack.
- Are less liquid.
- Are subject to the possibility that banks may at some point have less capacity to use tax benefits associated with LIHTC and NMTC, as occurred during the Great Recession and could occur under a proposed global corporate minimum tax regime.
- Are a specialty product outside the range of commercial financing that banks routinely offer and require banks to have special in-house expertise.
- Involve long-term investments, especially in the case of the LIHTC.

**OFN recommends requiring banks to engage in a minimum amount of community development finance activity in the form of equity investments to achieve a passing rating. An alternative option outlined by OFN member LIIF is to create a Community Development Lending Subtest and a Community Development Equity Subtest — each weighted at half of the overall Community Development Test.**

In this framework, a bank's overall rating would be comprised of:

- 35% Retail Lending Test.
- 15% Retail Services and Products Test
- 25% Community Development Lending Subtest.
- 25% Community Development Equity Subtest.

This approach would eliminate the Community Development Services Subtest.

- ***Eliminating the Community Development Services Test.*** As proposed, the Community Development Services Subtest includes a limited number of eligible activities with minimal impact. Yet it has a disproportionately high weighting on a bank's overall exam. The NPR cites three main community development service activities, but two – financial literacy and small business technical assistance – belong on the Retail Services and Products Test because they serve consumers and small businesses, respectively. OFN agrees with NAAHL that while service on nonprofit boards is a legitimate community development service, it does not warrant a separate test worth 10 percent of an entire rating.



**OFN recommends eliminating the Community Development Services Test and the activities be considered qualitatively as part of the Community Development Financing Test. Should the agencies choose not to eliminate the Community Development Services Test, we recommend modifying the test to emphasize the responsiveness of community development services and products to borrowers and communities.**

The Community Development Services Test could more closely resemble the “responsiveness” test proposed in the Retail Services and Products Subtest. In this proposed approach, the Community Development Services and Products Subtest would account for the responsiveness of the Community Development Financing Subtest. A critical component of the responsiveness test under the Community Development Services and Products Test should be a bank’s overall mix of community development financing types — with an emphasis on equity investments.

- ***Providing greater clarity on impact review factors.*** The Community Development Financing Test proposes including grant contributions as an impact review factor. Yet, it remains unclear how great of an emphasis impact review factors will have in banks’ final rating. While OFN is pleased that activities undertaken with CDFIs will receive positive consideration in the impact review, certain activities like grants and equity investments are especially impactful and responsive. As noted above, there is a significant risk that banks’ equity investments could diminish under a new CRA that does not recognize their unique value as an impact factor.

Equity-equivalent investments (EQ2) are an important source of flexible, enterprise-level funding. EQ2s enable CDFIs to strengthen their capital base, leverage additional debt capital, and increase lending and investing in economically disadvantaged communities.

Grant capital from banks is another critical source of funding for CDFIs, especially community development loan funds. Loan funds cannot raise deposits like credit unions or banks. While CDFIs generate retained earnings from interest and fees related to lending activities, often these are not enough to cover their expenses and operations. Grant capital from bank partners helps loan funds build their net assets and balance sheets. Small grant amounts that may seem trivial to banks can have an outsized impact on the CDFI.

Access to fixed-rate, long-term capital for relending can help CDFIs meet the financing needs of affordable housing and community facilities that are best financed over a prolonged period. Research from the Urban Institute found that CRA debt to CDFIs has typically been unsecured, at highly concessionary rates, and with long maturities. This loan structure enabled CDFIs to provide loans at reasonable rates to higher-risk borrowers and to



earn a sufficient spread to support the CDFI's operations.<sup>12</sup> However, some bank partners have moved away from long-term investments in favor of short-term loans. When CDFIs lack access to long-term capital, the low-wealth communities where CDFIs operate lose out on substantial investments. Community development projects financed at shorter terms may be too expensive from a cash flow basis.

**OFN urges the agencies to recognize the importance of certain community development activities – in particular, providing favorable consideration for grants, equity investments, and fixed-rate and/or long-term loans that extend beyond banks' exam cycles – in the impact review.**

- ***Providing additional credit in impact review for CDFI activities.*** The agencies should also provide multipliers or additional credit for bank activities undertaken with certified CDFIs. In the previous CRA reform NPR released by the OCC in June 2020 banks received double credit for investing in CDFIs. This reform recognized the value of CDFIs and the industry's success in providing credit to low-income families and communities. It also provided a clear direction to banks: by supporting mission-based CDFIs banks are fulfilling the intent of CRA. **OFN strongly urges the agencies to provide at least double credit in the impact review to ensure banks prioritize activities with CDFIs.**

In addition, when providing CRA credit for mortgage loan purchases from CDFIs, regulators should not provide favorable consideration should there be evidence showing that certain products are unresponsive to the credit needs of LMI and underserved communities — and in some cases, harm these communities.

- ***Reconsidering new bank size thresholds that could reduce community development financing.*** Another area of concern is the agencies' proposal to raise the bank size threshold. This would potentially deeply impact community development financing, especially in smaller or rural markets.

The NPR would set new thresholds for small and intermediate banks. Under the proposal, small banks are defined as those with assets of up to \$600 million. Intermediate Banks (ISBs) are those with assets of at least \$600 million but less than \$2 billion. Large Banks are those with assets of at least \$2 billion. These changes would reclassify 779 banks currently classified as ISBs as small banks — and they will no longer have community development finance responsibilities.

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<sup>12</sup> Ellen Seidman, Sameera Fazili, and Brett Theodos, "Making Sure There Is a Future Capitalizing Community Development Financial Institutions", Urban Institute. Published May 2017. Accessed August 1, 2022.

[https://www.urban.org/sites/default/files/publication/90241/making\\_sure\\_there\\_is\\_a\\_future.pdf](https://www.urban.org/sites/default/files/publication/90241/making_sure_there_is_a_future.pdf)



This provision could have a negative impact on the flow of capital to CDFIs – particularly CDFIs in rural markets, which already have limited access to CRA-motivated bank capital. OFN member data shows that only about 30% of borrowed funds for rural CDFIs come from CRA-motivated banks, as compared to about 50% for urban CDFIs.

Smaller banks are often important partners for these CDFIs, which bring specialized lending expertise and deep community relationships in markets with limited options. Reducing the number of banks that have community development obligations would disrupt the flow of capital to those CDFIs.

**OFN strongly urges the agencies to consider the potential negative impact on community development and reassess these bank thresholds**

- ***Recognizing the unique role of community development loan funds in community development finance.*** Community development loan funds (CDLFs) play a pivotal role in community development finance. CDLF's are key partners for mainstream financial institutions – including CDFI banks and credit unions. CDLFs make loans and investments that other entities simply cannot make.

Banks and credit unions have strict regulatory requirements related to capital and timelines for delinquencies and charge-offs. Loan funds can be more flexible with their borrowers. Often, they can also offer more concessionary terms than other lenders, have more flexible underwriting, and provide extensive financial coaching. Further, as demonstrated during the pandemic, loan funds can quickly pivot to offer loan modifications or forbearance to their borrowers in times of crisis.

This flexibility leads bank to frequently partner with loan funds on projects that require smaller dollar loans and reach customers outside of the bank's credit profile or profitability goals. CDLFs can also extend "higher-risk" loans that banks may avoid due to regulatory or operational constraints, like loans to startup businesses. In fact, loan funds are so essential to community development that sometimes depository CDFIs create loan funds so that they can reach deeper into underserved markets.

The entire CDFI industry plays a key role in the community development ecosystem, but the unique role of mission-based loan funds should be specifically acknowledged and recognized in CRA reform.

**Conclusion**

OFN appreciates the opportunity to comment on potential changes to the CRA regulatory framework. The proposed rule makes important strides in updating this critical rule's ability to drive



capital and investments into the communities that need it most. With additional tweaks to the proposal, the new rule would be closer to reflecting the modernized financial services landscape and to better addressing the credit needs of underserved communities. OFN looks forward to continuing partnership with the regulatory agencies on refining the proposal. Please do not hesitate to contact me with any questions about these recommendations at [dwilliams@ofn.org](mailto:dwilliams@ofn.org) or 202.868.6922.

Thank you,



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