August 15, 2025

Chief Counsel's Office, Comment Processing, OCC
Jennifer M. Jones, Deputy Executive Secretary, FDIC
Ann E. Misback, Secretary, Board of Governors of the Federal Reserve System
Via https://regulations.gov

Re: *Community Reinvest Act Regulations: Proposal to rescind the 2023 Rule regarding implementation of the Community Reinvestment Act: California community groups and allies oppose rescission*

OCC Docket ID OCC-2025-0005
FDIC RIN 3064–AG13
Federal Reserve Board of Governors Docket No. R–1869 and RIN 7100–AG95

Dear Agency officials,

Rise Economy respectfully submits these comments on behalf of itself and forty-three (43) other California community organizations and allies, in response to the agencies' proposal to rescind the 2023 Community Reinvestment Act (CRA) rule ("2023 Rule").

Rise Economy is a California-based alliance representing over 300 member organizations that work to create systemic change and economic justice in BIPOC and low-income communities. We engage financial institutions in dialogue about how they can best meet their CRA obligations to serve LMI and BIPOC communities in our state. We have submitted numerous comments regarding bank CRA examinations, bank merger applications, and federal bank policy and rule proposals. We have submitted several comment letters during the years-long CRA reform process that resulted in the 2023 Rule.

Our coalition includes over 300 organizations that partner with banks to help them meet local community credit needs, including CDFI, Community Land

Trust, financial literacy, affordable housing, fair housing, community development, small business, legal service, advocacy, and other community serving organizations. We work to create systemic change and economic justice in BIPOC and low-income communities.

We oppose the proposal to rescind the 2023 CRA Rule. We do so because the 2023 Rule would have furthered the CRA's statutory purpose of increasing access to credit for LMI and underserved communities. Many years of work and input went into the development of the Rule. We believe the agencies have a strong legal basis and duty to defend the Rule against legal challenge from the banking industry.

Agency actions with regard to the CRA should be focused on increased bank lending and investment in underserved communities, and not in seeking to minimize bank reinvestment obligations and perceived burdens. While stakeholders have strong and differing opinions about the CRA, one rare point of consensus is that the CRA rules need to be updated to reflect the financial service models and community needs of today.

We believe that the current CRA implementation framework, which rescission would restore and reinforce, fails to optimally meet the needs of LMI communities of color in several ways that the 2023 Rule sought to address:

- **CRA grade inflation.** 98% of banks do not deserve to pass their CRA exams.[1] One of the clear weaknesses of CRA implementation over the years has been rampant CRA grade inflation, where it is almost impossible for banks to fail their CRA exams. This has been so even though many banks are not doing a satisfactory job serving their communities. If regulators continue to hand out good grades for poor performance, there is no incentive for banks to work harder to meet community credit needs.

[1] Josh Silver, "CRA Overhaul: Did The Agencies Do Enough To Cure Ratings Inflation? January 11, 2024, available at: https://ncrc.org/cra-overhaul-did-the-agencies-do-enough-to-cure-ratings-inflation/

The 2023 Rule would have reversed this trend by establishing transparent benchmarks and performance ranges that would have allowed for clear comparison of bank performance across financial institutions serving the same neighborhoods.[2] The effect of this Rule change would have helped banks understand what is required of them to achieve particular ratings. Importantly, the 2023 Rule would have resulted in either lower CRA ratings or improved bank performance in LMI communities as banks sought to avoid poor ratings. The agencies estimated that if the 2023 Rule was in effect from 2018 through 2020, 10.3% of banks would not have received a Satisfactory or Outstanding rating on their CRA exam.[3] CRA implementation must create incentives and praise for banks that strive to do well, and consequences and penalties for those that do not.

- **CRA beyond branches.** Banks profit off of, derive benefits from, and should reinvest back into, communities outside of their brick-and-mortar branches. This is perhaps the area where there is most agreement around how CRA has failed to keep pace with the banking practices and models of today. A considerable number of banks conduct a substantial amount of their business outside of their retail branch footprint. Certain institutions conduct all of their business online. The 2023 Rule addressed this CRA blind spot by creating Retail Lending Assessment Areas to encourage reinvestment by banks into the communities where they conduct substantial lending in the absence of retail bank branches.[4] By failing to extend CRA beyond branches, CRA fails the very LMI communities it was designed to help. Ideally, banks would be responsible for reinvesting in all areas where their deposits originate, which would align better with CRA's goal of reinvestment of deposit dollars back into communities. As the banking industry continues to evolve, and as banks continue to close branches at an alarming rate,[5] fewer and fewer communities will benefit from

[2] https://rise-economy.org/rise-economy-responds-to-bank-regulators-final-cra-rule/
[3] Federal Register, Vol. 89, No. 22, February 1, 2024, p. 6787.
[4] Federal Register, Vol. 89, No. 22, February 1, 2024, p. 7710.
[5] The National Community Reinvestment Coalition (NCRC) found that 7,500 bank branches closed between 2017 and 2021, that one-third of these branches closed in LMI or BIPOC communities, and that

and be covered by CRA's reinvestment obligations.

- **Ease over impact.** Banks are allowed to secure CRA credit for activities that are easy for them to execute, but not impactful for communities. Rise Economy has long lamented the failure of CRA to encourage impactful investments. As one example, many banks have relied on investments in mortgage-backed securities to meet community development investment obligations, instead of more impactful EQ2 investments in CDFIs, small business loan pools, or Community Land Trusts. Further, community development lending and investment activities have been opaque and hard to measure, creating uncertainty for the public and no incentive for banks to enhance their performance. And some of the greatest, emerging community needs have been outside of the CRA investment discussion altogether. The 2023 Rule began to address this in a number of ways.

  Stronger evaluation for impact. The 2023 rule created impact and responsiveness factors to inform the evaluation of whether community development activities were responding to community needs in an impactful way.[6] This change to CRA implementation would have resulted in increased impact in communities facing critical needs for affordable housing, small business, and economic development.

  More data transparency. The 2023 Rule required better collection and reporting of community development data, which would help community groups and the general public understand which banks are truly addressing community needs, and how. And this transparency

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the overall branch closure rate doubled during the COVID pandemic, when consumers and small businesses were most vulnerable, available at https://ncrc.org/the-great-consolidation-of-banks-and-acceleration-of-branch-closures-across-america/#:~:text=Last%20year%2C%20NCRC%20released%20a,%E2%80%94%20a%2014%25%20loss%20nationally.

[6] Federal Register. Vol 89, No. 22. February 1, 2024. P. 7114.

would have encouraged banks to increase reinvestment activity to outpace their peers.

Broadening community development definitions to capture more of today's pressing community needs. The Rule also clarified broader categories of community development activities that would qualify for CRA credit.[7] In particular, several current priorities for Rise Economy members and their communities would have clearly benefited from the expanded definitions of Community Development to include investments in weather resiliency, Native Land Areas, broadband and digital access, and CDFIs regardless of location. This is particularly true for fire ravaged communities like Altadena which has highlighted the need for disaster relief, recovery, and rebuilding efforts, but also weather resilience investments to make vulnerable communities safer in the face of worsening climate change impacts.

Encouraging SPCPs. One of the most significant enhancements to CRA implementation in the 2023 Rule was the encouragement of banks to develop Special Purpose Credit Programs (SPCPs).[8] Rise Economy and our members have prioritized SPCPs as an important way to address past and ongoing redlining and discrimination in credit access, which aligns well with the purposes of the CRA legislation.

- **Attention to the smallest businesses.** CRA does not encourage banks to serve the smallest businesses that are most in need of credit. The CRA regulations have defined small business lending as lending to small businesses in loan amounts of less than $1 million. In our experience, this has resulted in a majority of CRA qualified small business lending going to the largest of businesses with millions of dollars in gross annual revenue and which do not need the CRA to access credit. Rise Economy has long advocated for at least half of all small business lending to go to businesses with under $1 million in gross annual revenue, and in loan amounts of $250,000 or less. We

[7] Federal Register. Vol 89, No. 22. February 1, 2024. P. 7114.
[8] Federal Register. Vol 89, No. 22. February 1, 2024. P. 7121.

were especially pleased to see the 2023 Rule attempt to encourage banks to better serve small businesses with under $250,000 in gross annual revenue by requiring banks to track and report such lending.[9] This focus on the smallest of businesses that most need support in accessing credit will be completely lost with the rescission of the Rule.

- **No downgrades for harm.** Banks generally do not suffer CRA ratings downgrades, even when they harm communities. Another significant weakness of the CRA is that it is designed to give credit for positive bank activities in LMI communities, while mainly ignoring the harm that banks can cause to these same communities. This harm can take the form of fossil fuel finance that exacerbates climate change and impacts on underserved communities, excessive and abusive overdraft and other fees foisted on bank consumers, lending and investment that displaces underserved members of underserved communities, closed branches, excessive foreclosures, and other actions. Even discrimination and redlining, which are supposed to provide a rare justification for a CRA downgrade, do not usually result in a redlining bank actually failing its CRA examination. Over the last few years, Rise Economy believes that over one dozen banks entered into consent decrees with the Department of Justice for redlining which occurred during a period of time when they received Outstanding or Satisfactory CRA ratings.[10]

  No credit for displacement. While not fully addressing the concerns about displacement financing by banks and harms caused, the 2023 Rule attempted to ensure that bank investment that directly resulted in displacement of community members did not receive CRA credit.

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[9] Federal Register. Vol 89, No. 22. February 1, 2024. P. 7114.

[10] "In at least nine cases over the last three years, banks that received "satisfactory" or even "outstanding" CRA ratings were charged with redlining in violation of the Equal Credit Opportunity Act (ECOA) and were held accountable by their regulator and the Department of Justice." See the Honorable Senator Elizabeth Warren and the Honorable Representative Maxine Waters, Letter to Suzanne B. Clark, United States Chamber of Commerce and Rob Nichols, American Bankers Association, September 15, 2024 Letter, available at: https://www.warren.senate.gov/imo/media/doc/warren_letter_to_aba_chamber_re_cra.pdf

For these reasons, and others, we believe the agencies are wrong to rescind the 2023 Rule. Though not perfect, the Rule was an advance that would effectively address several longstanding weaknesses of CRA implementation that have held communities back.

We urge the agencies to reconsider this rescission proposal, to defend the 2023 Rule in court, and to plan to implement the 2023 Rule in order to better meet the statutory goals of the CRA to encourage banks to better serve communities.

Thank you for your consideration of our views. If you should have any questions about our comments, please feel free to contact Kevin Stein at [redacted].

Very Truly Yours,

[redacted]

Kevin Stein
Rise Economy

Endorsing organizations:

A2E2
Asian Pacific Islander Small Business Collaborative
ASIAN, Inc.
Banner Capital Advisors
Beneficial State Foundation
CAARMA
California Coalition for Rural Housing
California Community Land Trust Network
California Housing Partnership
Center for California Homeowner Association Law
Center for Responsible Lending

Community Economics, Inc.
Community Financial Resources
Community Housing Development Corporation
Congregations Organized for Prophetic Engagement, COPE
Consumers for Auto Reliability and Safety
Courage California
East Bay Housing Organizations
Economic Security California Action
Fair Housing Council of the San Fernando Valley (FHCSFV)
Faith and Community Empowerment
First Community Capital
Haven Services Inc.
ICON CDC
Inclusive Action for the City
Inland Equity Community Land Trust
Logan Heights CDC
Los Angeles LDC
Microenterprise Collaborative of Inland Southern California
Mission Asset Fund
MyPath
Neighborhood Partnership Housing Services (NPHS)
Public Counsel
Renaissance Entrepreneurship Center
Rise Economy
Sacramento Community Land Trust
Small Business Majority
Southern California Black Chamber of Commerce
Southwest Fresno CDC
The Academy of Financial Education
The Central Valley Urban Institute
The Greenlining Institute
Vermont Slauson Economic Development Corporation
Women's Economic Ventures