August 5, 2022

Acting Comptroller Michael J. Hsu
Office of the Comptroller of the Currency
400 7th Street, S.W.
Washington, DC 20219

Acting Chair Marin J. Gruenberg
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

Chair Jerome H. Powell
Board of Governors of the Federal Reserve Bank
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

Re: Community Reinvestment Act [Docket ID OCC-2022-0002; Docket No. R-1769 and RIN 7100-AG29; RIN 3064-AF81]

To Whom It May Concern:

The California Coalition for Community Investment (CCCI) appreciates the opportunity to comment on Docket ID OCC-2022-0002, the "Notice of Proposed Rulemaking (NPR) on Reforming the Community Reinvestment Act Regulatory Framework." Our organization strongly supports the Community Reinvestment Act (CRA) while also acknowledging that there are aspects of the law and its administration that could be improved.

CCCI is a California statewide coalition of thirty-five community development financial institutions (CDFIs). CDFIs are mission-driven financial institutions that deliver affordable credit, capital, and financial services to residents and businesses in minority and economically distressed communities. According to the CDFI Coalition there are 110 certified CDFIs headquartered in California as of February 2022[1] and a major source of CDFI investment comes from the Community Reinvestment Act (CRA). For 45 years, CRA has helped bring affordable housing, small businesses, jobs, and banking services to underserved communities.

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. Both banks and CDFIs have realized that working in partnership can enhance both institutions' effectiveness in reaching underserved markets.

[1] California CDFI State Fact Sheet. CDFI Coalition. February 2022. Accessed August 3, 2022. https://cdfi.org/wp-content/uploads/2022/02/California.pdf

California Coalition for Community Investment
https://www.calcci.org ● rsmith@piadvocates.org
3120 Freeboard Dr, West Sacramento, CA 95691

Proposed Reforms to the Community Reinvestment Act Regulations
The proposed reforms represent a "once in a generation" opportunity to shape the community development finance ecosystem. With that, we want to align our comments with several of our colleagues, most notably those of the Opportunity Finance Network (OFN), National Community Reinvestment Coalition (NCRC), the California Reinvestment Coalition (CRC) and the California Association for Micro Enterprise Opportunity (CAMEO).

- *Continued recognition of the critical role CDFIs play in helping banks meet their CRA obligations.* CCCI appreciates the recognition that CDFIs are an important part of CRA, however, while the NPR makes important strides in codifying the partnerships between CDFIs and banks, there are several areas where the language should be strengthened and improved to ensure there is no ambiguity about how CDFIs should be treated. Please reference CRC and OFN's comment letters for more details.

- *Provide Greater Clarity on Impact Review Factors.* The CD Financing Test does propose including grant contributions as an Impact Review Factor, yet it remains unclear how great of an emphasis Impact Review Factors will have in a bank's final rating. Certain activities should be considered especially impactful and responsive. The agencies should also consider providing multipliers or additional credit for activities undertaken with certified CDFIs – with an emphasis on providing more credit for grants and equity investments.

- *Affordable housing.* As noted in CRC's comment letter, affordable housing remains a perennial need and priority for our state. Mission-driven and community organizations have developed impressive capacity to use the scarce resources available to create affordable homes. However, the proposal threatens to damage one of the key tools in this limited affordable housing development infrastructure by doing away with the separate CD lending and CD investment tests. By combining CD lending and CD investing, we are greatly concerned that banks will retreat from Low Income Housing Tax Credits (LIHTC), which can be more complex and provide a lower rate of return than CD lending. We urge the regulators to retain separate evaluations for CD lending and CD investing. Further, positive impact points should be given for projects that have deeper affordability, longer affordability terms and covenants, or are in higher opportunity areas.

- *Small business.* As noted in CRC's comment letter, CCCI also applauds the proposed focus on small business lending to smaller businesses. We urge the regulators to require evaluation of both 1) lending to businesses with under $250,000 in gross annual revenue (as proposed), as well as 2) lending to businesses with under $100,000 in gross annual revenue. Such an approach would ensure that small businesses are served and would be consistent with the current CRA Small Business Lending reporting regime. Yet we are surprised and disappointed by the proposal to define small businesses as ones with $5 million or less in gross annual revenue. The $5 million threshold under Section 1071 was proposed by the CFPB for a different purpose altogether, namely, to establish reporting obligations under a fair lending rule that has not even been finalized (and which could change). The CRA rules should focus examiner attention on section 1071 data reporting, once public, to ensure equal access to reasonably priced credit for women and BIPOC-owned businesses and for businesses with less than $1 million in revenue. Larger businesses do not need the CRA's encouragement to receive financing, yet banks may gravitate to larger businesses and away from small businesses if permitted to do so.

- *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 law's history as civil rights legislation meant to address the impacts of racial discrimination in banking should not be downplayed. Comments from OFN, NCRC, CRC and CAMEO provide further details on ways to incorporate race into the CRA.

- *Strengthen the Community Development Services Test.* The community development services test, while accounting for 10% of the overall rating, is too weak to encourage effective development of community development services. For services to be a meaningful contribution to the overall community development financing strategy of a bank, the services test must evaluate and give credit for useful and impactful activities that are responsive to the needs of a bank's community.

- *Reconsider New Bank Size Thresholds that Could Reduce Community Development Financing.* Another area of concern is the agencies' proposal to raise the bank size threshold and the potential impact that could have on 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 and 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 that are currently ISBs as small banks, meaning they would no longer have community development finance responsibilities.

Conclusion
CCCI appreciates the opportunity to comment on potential changes to the CRA regulatory framework. The proposed rule makes important strides in updating this critical law's ability to drive capital and investments into the communities that need it most. With a few additional tweaks to the proposal, the new rule would be closer to reflecting the modernized financial services landscape and better addressing the credit needs of underserved communities. CCCI looks forward to continuing to partner with the regulatory agencies to refine the proposal.

Sincerely,

[redacted]

Noni Ramos
Executive Chair
California Coalition for Community Investment