



Detroit CDFI Coalition

August 5, 2022

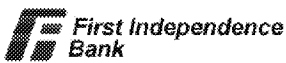


Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551



James P. Sheesley
Assistant Executive Secretary
Attention: Comments RIN 3064-AF81,
Federal Deposit Insurance Corporation,
550 17th Street NW,
Washington, DC 20429.



Re: Community Reinvestment Act Regulations; Docket ID OCC-2022-0002; Docket No. R-1769; RIN 7100-AG29; RIN 3064-AF8
Comments by the Detroit CDFI Coalition



To Whom It May Concern:



The Detroit CDFI Coalition appreciates the opportunity to comment on proposed rule regarding Community Reinvestment Act (CRA) regulations.



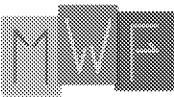
The **Detroit CDFI Coalition** (The Coalition) is a collaborative group of 17 community development financial institutions (CDFIs) and additional Detroit stakeholders that work together to strategically expand CDFI investment, loans and banking services within the city. The Coalition's mission is to promote community development, stimulate growth, promote local employment, and revitalize strong and healthy neighborhoods that are good places to live, work, shop and play.



The CRA has had such an **important impact on our community and played a huge role in the revitalization and economic turnaround in the city of Detroit**. As we describe below, banks have partnered with several members of The Coalition to invest in programs and projects that support low- and moderate-income (LMI) communities including small businesses, affordable housing and neighborhood revitalization.



Over the past 45 years, CRA has helped bring affordable housing, small businesses, jobs, and banking services to underserved communities. In addition to driving capital to these communities, CRA has driven the banking community to work more closely with community stakeholders, nonprofits and CDFIs that serve these markets. In Detroit, our banks have become collaborative and committed partners in our community and neighborhood revitalization efforts. Over the past decade, CRA lending and investments have resulted in nearly \$20 billion in mortgage loans to LMI neighborhoods and nearly \$8 billion in loans to small businesses in the Detroit community.



Michigan Women Forward



The city of Detroit and the work of our CDFI community represent a great example of how well the current CRA has worked in an LMI and severely distressed community. These new regulations update the CRA in vital ways and represent an enormous opportunity to continue to impact the community development finance ecosystem. We are grateful to see that the regulators have adopted a joint regulatory framework and emphasized the importance of CDFIs in helping banks meet the goals of CRA.

The Coalition appreciates the opportunity to provide the following comments on the proposed revisions to the Community Reinvestment Act. We believe the updated regulatory framework for CRA must advance the primary purpose of the statute and we believe many of the proposed reforms are positive and do so. However, we believe the proposal should be improved to avoid unintended consequences while taking this opportunity to further extend the impact of CRA, especially as a tool for advancing racial equity.

Below please find our comments and recommendations:

Summary of Feedback

We appreciate the work that went into the proposed rule and we believe that updating CRA regulations can continue to support LMI communities and create opportunities for LMI individuals and small businesses. In summary, we recommend the following:

- Reconsider additional policy to advance racial equity
- Continue to recognize the critical role CDFIs play in helping banks meet their CRA obligations
- Support including CDFIs on the proposed list of Impact Review Factors, but would encourage greater clarity and additional credit for high impact activities
- Reconsider new bank size thresholds that could negatively impact CDFI support
- Improve consideration of equity investments in the new community development financing test
- Support the shift toward data-driven evaluations while maintaining qualitative reviews
- Increase the rigor and weighting of the community development financing test

Consideration of Race

Although we appreciate several of the updates included in the proposed regulations, we highly recommend the agencies' take another look at how to incorporate rules to help advance racial equity, which supports a goal of the original legislation. The statute's history has clear intent to help address racial discrimination and inequities in banking. We ask regulators to take additional steps forward in acknowledging the importance of race in CRA evaluations.

Role of CDFIs

We believe all CDFIs play a critical role in helping banks meet their CRA obligations and are glad to see that the regulators acknowledge the value of CDFIs as key partners to drive credit and capital to underserved markets. We believe the proposed rule makes important improvements in codifying the partnerships between CDFIs and banks, but would encourage a few additional updates to ensure no ambiguity about how CDFIs should be treated. We urge the Agencies to retain and emphasize language that ALL CDFIs, including CDFI banks and CDFI CUs, 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. Lastly, we would ask the agencies to affirm that all activities with Treasury Department-certified CDFIs would be eligible CRA activities.

Impact Review

We believe agencies should also provide multipliers or additional credit for activities undertaken with certified CDFIs – with an emphasis on providing more credit for grants and equity investments, as well as long-term and/or fixed rate loans. We would also strongly support the agencies providing at least double credit in the impact review to ensure banks prioritize activities with CDFIs, as included in the NPR released by the OCC in June 2020. This would recognize the value of CDFIs and our success in providing credit and capital to underserved communities, especially communities like the city of Detroit. It would also provide a clear direction to banks that by supporting mission-based CDFIs, they were fulfilling the intent of CRA.

Community Development Financing Test

We are thankful for the consideration given to community development financing activities as an integral part of CRA, but are concerned about the impact of consolidating investment and lending into one Community Development Financing Test. We are concerned that combined evaluation could cause a shift in banks CRA activities away from more complex, time consuming but impactful activities, including tax credit investments like the New Markets Tax Credit and Low-Income Housing Tax Credit. This could deemphasize investors' interest and thus reduce the effectiveness of these proven tools. In Detroit, these tools are essential and impactful drivers of community development work.

Data Driven Evaluations

We strongly believe that CRA review should be grounded in data and will help understand the gaps in lending, investment, and services. In order to enhance local partnerships and fully understand the scope of lending in underserved communities, we encourage the collection of additional data including information about deposits, race and ethnicity of borrowers, lending to small businesses. We also appreciate how the proposal notes that data must be complemented by more flexible qualitative reviews to support innovation and adjust to the needs of local markets and partners.

Bank Size Thresholds

One area of concern we have is how the proposal would increase the bank size threshold and what it could mean for community development financing, especially in smaller or rural markets in Michigan. The NPR would set new thresholds for small and intermediate banks and could reclassify over 700 banks that are currently ISBs as small banks, meaning they would no longer have community development finance responsibilities. We believe this provision could have a negative impact on the flow of capital to CDFIs – particularly CDFIs in rural or small markets that already have access to less CRA-motivated bank capital. This change could impact the number of banks that have community development obligations and drastically impact the flow of capital to those CDFIs that have the specialized knowledge and deep community relationships to help increase access to responsible finance in markets with limited options.

Thank you for considering these recommendations.

Sincerely,



Christine Coady Narayanan
President & CEO, Opportunity Resource Fund
Chair, Detroit CDFI Coalition