



Rural Housing Coalition

of New York

Working Together to Revitalize Rural New York

August 3, 2022

To Whom It May Concern:

The Rural Housing Coalition of New York 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 and transparent 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.

Community Development Financing:

- As it relates to community development loans and investments, the agencies created new aspects of the qualitative impact review such as classifying community development financing as impactful if it is directed to counties with persistent poverty, Native American communities or counties experiencing a dearth of community development finance.
- While the qualitative review is needed, it can also be abused and can result in inflating a rating if it is not carefully designed and allows examiners to make vague statements that carry great weight on exams. In particular, the agencies backed away from assigning each community development loan or investment an impact score on a point scale as contemplated in the Federal Reserve's Advance Notice of Proposed Rulemaking. We ask the regulators to propose a transparent system for evaluating impact of community development financing, and to seek input on how impact scores will affect the overall score banks receive on their CRA performance evaluations.
- The regulators could guide the impact review by asking the examiners to calculate the percentage of community development finance that was devoted to persistent poverty counties, counties with low levels of finance, and the percentage of activities that involved collaboration and partnerships with public agencies and community-based organizations, which would encourage more community development in rural areas. In their instructions and templates for collecting community development data, the agencies should include data fields which would record geographical targeting, partnerships and other features. In this manner, the qualitative evaluation can become more quantitative and objective.



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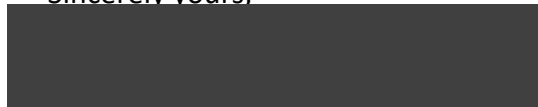
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Factoring Rural Assessment Areas into CRA Ratings

- An unresolved issue is how to weigh performance in large metropolitan areas, smaller metropolitan areas, and rural counties. The agencies generally would weigh performance at an assessment area level based on the share of loans and deposits in that assessment area. This approach by itself would result in the larger areas not only contributing more to the overall rating but possibly obscuring poor performance in smaller metropolitan areas or rural counties.
- The agencies attempted to correct for this by requiring that banks with 10 or more assessment areas must receive at least a Low Satisfactory rating in 60% of the assessment areas in order to pass overall. This still may not be an adequate solution since the smaller areas could represent a minority of areas, allowing a bank to pass the 60% threshold by focusing on the larger areas. This proposal needs more development.
- One possibility is to require banks to achieve at least a Low Satisfactory rating in 60% of each of its large metropolitan, small metropolitan, and rural assessment areas - meaning they would need to get at least a Low Satisfactory in 60% of their rural assessment areas as well in order to pass the overall CRA exam. Any such requirement should also apply to banks with less than 10 assessment areas.
- Philanthropic and volunteer support for state and local organizations serving rural communities are key to the capacity building of these organizations so they can better serve the unique needs of rural residents in their areas and states. Given the scarcity of local resources and talent, banks must be evaluated on their support for local non-profits serving these underserved areas.

Finally, CRA ratings also need to be more transparent and publicly visible so residents and organizations know which banks are meeting their commitments. In New York, many local communities require restaurants to post their inspection ratings prominently near their street entrances. I would suggest something similar for CRA ratings to be posted prominently on both bank entrances and websites.

Sincerely yours,



Michael J. Borges
Executive Director