Working Solutions
Capital. Consulting. Community.

August 5, 2022

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

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:

Working Solutions CDFI 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.

Working Solutions is the *First to Believe* in start-up and early-stage businesses by providing affordable capital, customized business consulting, and community connections to diverse entrepreneurs to increase economic opportunity in Northern California. As a certified, nonprofit CDFI, Working Solutions pairs capital with consulting to help entrepreneurs—primarily entrepreneurs of color, women, and low-income individuals—start and grow thriving small businesses that strengthen the local economy, create jobs, and build strong communities.

Working Solutions has served the San Francisco Bay Area as a microlender for over 20 years and has deployed over $38 million in small-dollar loans and grants combined with more than 30,000 hours of free business consulting to more than 2,400 underserved entrepreneurs. With a commitment to scale forged in its 5-year 2020-2024 Strategic Plan, Working Solutions has actualized most of its results in the last 5 years accounting for 80% of all-time deployment. For example as an economic first-responder, during the recent COVID-19 pandemic, Working Solutions has been on the financial front lines deploying $13 million in recovery loans and relief grants and over 12,000 consulting hours to underserved entrepreneurs.

As a mission-minded lender, we are committed to deploy at least 60% of capital to people of color—including 20% Black and 20% Latino entrepreneurs—60% to women, 65% to low-income borrowers, and 80% to start-up (<1 year in business) and early-stage businesses (< 5 years in business), even as we increase volume and scale year over year.

We have many bank partners, and rely on the CRA to support our partnerships. 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.

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 that of Opportunity Finance Network (OFN), National Coalition for Community Reinvestment, the California Reinvestment Coalition (CRC), California Coalition of Community Investment (CCCI) and CAMEO.

- *Continued recognition of the critical role CDFIs play in helping banks meet their CRA obligations.* We appreciate 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.

- *Small business.* As noted in CRC's comment letter, we also applaud 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 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 banks, 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, CCCI, 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
Working Solutions 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. Along with members of our industry, we look forward to continuing to partner with the regulatory agencies to refine the proposal.

Sincerely,

[redacted]

Sara Razavi
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