



August 4, 2022

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

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

James P. Sheesley, Assistant Executive Secretary  
Federal Deposit Insurance Corporation  
550 17th Street, N.W. Washington, D.C. 20429

Re: Support for Growth Businesses led by People of Color: Economic Development Provisions of the Community Reinvestment Act Regulations Docket (R-1769) and RIN (7100-AG29)

Hello,

On behalf of Fearless Fund, a black women led investment company, we would like to express our views on and **responses to Question 13 of the Notice for Proposed Rulemaking**. As a fund led by women of color, built for women of color, and anchored by a CRA qualifying bank investment, the Fearless Fund is acutely aware of potential ramifications to funds and businesses led by women of color should the NPR be approved as written. **As such, we are supportive of retaining language within the CRA that would maintain use of the size and purpose test to qualify CRA investments into financial intermediaries that support economic development through small business job creation, retention, and improvement.**

We founded the Fearless Fund to solve for the serious capital gap that exists for women of color owned businesses seeking pre-seed, seed, and series A financing. A few facts that guide our thesis:

- Companies with a female founder perform 63% better on average than all-male founding teams (First Round Capital, 2015). Despite a greater potential to produce higher returns, women are historically underfunded, particularly women of color.
- In 2018, U.S. companies raised a total of \$130B in VC funding, yet only 2.2% of that total went toward female-founded companies, and less than 1% of total funding was allocated toward businesses founded by women of color, (Fortune, 2018 & Girlboss, 2019).



Despite the enormous amount of literature showing that companies led by women and people of color outperform but are underinvested, there continues to be a severe financing gap when it comes to financing the growth of such businesses.

Further, when we approached investors with our solution, as a black-women led fund created to support black-women led companies, we were largely overlooked by institutional investors. **Had it not been for the CRA, and a bank willing to use its CRA capital to invest into our fund, we would not have received the initial anchor investment that catalyzed our fundraise, allowing us to follow through on our mission to support businesses owned by women of color.**

Following this CRA investment, the Fearless Fund has strategically deployed our capital in line with our mission, which is to bridge the gap in venture capital funding for women of color founders building scalable, growth aggressive companies. To date, while still in our early stages, Fearless Fund has:

- **Invested in over 30 businesses founded by women of color**
- **Resulting in 75 new jobs in a variety of MSAs across the United States,**
- **Expected to generate over \$100 million of small business revenue 2022 across the Fearless Fund portfolio.**

Aligned with the mission of our fund, Fearless Fund serves as a source of capital for founders, women of color, who have been overlooked by other venture capital firms and early capital providers. **Similar to the difficulties we faced in raising this Fund, it is safe to say, that a large portion of the 30+ companies we have supported would not have received the necessary capital required to grow and operate had it not been for our investment.**

Under the current regulations, Fearless Fund was able to receive a \$5 million investment from a bank through their CRA allocation. **The Fearless Fund exists due to the CRA, and we hope that other emerging funds, particularly those led by color, have the same opportunities to qualify for CRA capital under the size and purpose test.**

Specific to Question 13:

**We request that the Regulators retain language related to CRA qualifying economic development activities that support job creation, retention, and improvement through financing small businesses.** Specifically, as a fund led by women of color, we ask that the regulators retain the following provisions, to allow us, and emerging funds led by women and people of color like ours, to continue to have an opportunity to support businesses led by people of color:

- **Retain use of the “size test”, allowing for activities supporting businesses with less than \$5 million in revenue, or consistent with the size eligibility standards of the SBIC program.**
  - This will allow financial intermediaries like us, to provide critical capital to businesses that might be just above the \$5million in annual revenue threshold but still overlooked by traditional financial intermediaries.



- Clarify that **size is measured at the time of investment**. While most of our companies have gross annual revenues of less than \$5 million, it is our goal that most of them grow beyond that threshold, as a result of our investment and technical support. We consider this a critical part of our mission and request that growth not be penalized under the new CRA rule.
- **We request that the regulators retain the “purpose test” (as clarified by the 2016 Interagency CRA questions and Answers) by documenting support of permanent job creation, retention, and/or improvement for LMI persons, in LMI geographies, or targeted redevelopment areas.**
  - Due to our receipt of CRA qualifying capital, we have been required to show documentation of our impact on permanent job creation, retention, and/or improvement. We have not found this to be an arduous task – but rather we find this to be a critical part of our impact mission.
  - We find that providing documentation on jobs forces us, and our portfolio companies, to think more intentionally about their impact on jobs and activities related to broader economic development – an indirect benefit that otherwise would not exist without the CRA.

Related to the above points, under the Proposed Rule’s economic development definitions, SBIC’s will continue to be eligible for CRA investments. As a first-time fund, we would not have been eligible for the SBIC program, despite making the same types of investments and providing documentation of our contributions to economic development through job creation, retention, and improvement. **The presumption afforded to SBICs, with no avenue for non-SBICs to be eligible for qualifying CRA investment, will effectively shut out all emerging fund managers, many of which are led by women and people of color, that rely on bank’s CRA investment to act as a catalyst in their fundraise.**

This was our experience – and we believe other funds, particularly those led by women and people of color with a mission to support historically marginalized business owners – deserve the opportunity to show not just their impact to economic development, but also to opportunity to follow through with their mission. **Racial equity is said to be at the heart of the Proposed New Rule and proposed responses to Question 13 are essential to breaking down systemic racial barriers in the small business funding landscape.**

As you consider Question 13 of the Notice for Proposed Rulemaking, Fearless Fund requests continued support for banks to receive CRA investment credit through the size and purpose test. This will be the most effective way to support small businesses and maximize innovative activity.

Thank you,

Fearless Fund