August 4, 2022

To Whom it May Concern:

People's Action appreciates the opportunity to share comments on the Notice of Proposed Rulemaking regarding the updating of the Community Reinvestment Act [CRA]. People's Action and our member organizations were involved in the original passage of the Community Reinvestment Act in 1977 and we have worked closely over the past forty five years to help ensure fair implementation of this landmark legislation. People's Action is one of the largest grassroots organizing networks in the country and builds the power of poor and working people in urban, rural, and suburban areas to win change through issue fights and elections. We are a national network of 38 state and local grassroots power-building organizations in 28 states–united in the work of building a bigger "we."

This Notice of Proposed Rulemaking [NPR] represents significant changes to the CRA regulations and exams and should be strengthened to realize the full potential to increase investments and financial services in traditionally underserved communities. In our comments we want to highlight the significant impact that the NPRA will have on rural communities.

BANK RECLASSIFICATIONS The recent Notice of Proposed Rulemaking (NPR) to update Community Reinvestment Act (CRA) rules includes a significant reduction in CRA responsibility for 20% of all banks.The agencies proposed to raise the small asset bank threshold from $346 million to $600 million. Likewise, the intermediate small bank (ISB) asset threshold would be adjusted and would range from $600 million to $2 billion. Currently, the ISB asset thresholds range from $346 million to $1.384 billion. For rural areas in particular, this would mean less community development financing and service activities.

A recent report by the Consumer Finance Protection Bureau highlights many of these challenges:

> Rural Americans depend on physical bank branches and smaller banks more than the rest of the country, have less access to the internet and online banking options, and are more likely to live in banking deserts. Rural customers visit bank tellers at nearly double the rate of urban and suburban customers. In 2019, nearly nine in 10 rural households visited a branch, and about four in 10 rural households visited 10 or more times each year, far more than their urban and suburban counterparts. Lower rates of high-speed internet access may explain part of this disparity, although additional research is necessary to fully understand the reasons why rural communities are more likely to visit bank tellers and branches, despite the fact that banks are often located further away from rural consumers. When these rural customers visit a branch and speak to a bank teller, they are more likely to be visiting a smaller community bank or credit union. Community banks are three times more likely to locate their offices in a non-metro area, and community banks

> hold the majority of banking deposits in U.S. rural and micropolitan counties. According to the FDIC, in 2012 there were more than 600 counties—or almost one out of every five U.S. counties—that had no other physical banking offices except those operated by community banks.[1]

We are also concerned that smaller metro and rural assessment areas would receive less weight under the NPR because the weight of an assessment area is determined by a percentage of the bank's loans and deposits. We recommend increasing the requirement that banks receive at least a low satisfactory rating to 70% of the assessment areas [as opposed to 60% in the current proposal] and 60% in each category of large metro, small metro and rural. This is crucial to ensure that rural areas and smaller metropolitan areas are not further harmed by the proposed rule changes.

It is also very important to ensure that banks are not allowed to seek out the easiest areas to engage in community development. In 2018, there were 664 high poverty counties in which an average of 20 percent or more of the population had lived below the Federal poverty level since 2014. The majority were rural (78.9 percent—524 counties). These high-poverty counties represented about 1 of every 4 rural counties, compared with about 1 of every 10 urban counties. The current proposal that community development in persistent poverty counties with low levels of community development would receive extra consideration on an impact review is a good start but we encourage you to consider the percentage of community development in persistent poverty counties and areas with low levels of community development that are outside of assessment areas. Banks with higher levels and percentages of community development finance targeted to underserved areas would receive more points on their impact review and community development finance test.

We are also encouraged by the proposal that Native Land areas receive elevated attention regarding community development activity outside of assessment areas and hope that this will direct more community development financing to Native areas.

Finally, we are concerned about the designation of assessment areas and the proposal for intermediate and small banks to be able to designate 'partial counties' as assessment areas. We believe that this can open up opportunities for redlining and ask that you change this proposed designation.

Thank you once again for the opportunity to comment on the Notice of Proposed Rulemaking regarding the updating of the Community Reinvestment Act [CRA].

Regards,

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[1] https://files.consumerfinance.gov/f/documents/cfpb_data-spotlight_challenges-in-rural-banking_2022-04.pdf