Proposal: 1723 (AF94) Reg BB - Community Reinvestment Act

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February 9, 2021 Pacific Community Ventures (PCV) appreciates the opportunity to comment on Docket R-1723 and RIN numbers 7100-AF94, the "Advanced Notice of Proposed Rulemaking (ANPR) 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. PCV strongly supports an effective, well-enforced Community Reinvestment Act that keeps pace with the changing financial services industry. Our comments reflect a commitment to a community development finance industry in which banks and CDFIs are important partners in expanding access to capital and credit. CDFIs and the Community Reinvestment Act Part of the 1977 Housing and Community Development Act, the CRA is a landmark civil rights accomplishment, rooted - along with the Voting Rights and Fair Housing Acts - in the Civil Rights Act of 1964. Together, these laws have taken us closer to being a nation that lives up to its stated founding principles of equality for all. Inspired by the civil rights movement, the very first CDFIs set out to prove that access to affordable, responsible credit can transform a community. There are now more than 1,100 CDFIs certified by the Department of Treasury's Community Development Financial Institutions (CDFI) Fund with more than $222 billion in total assets.

1 With cumulative loan loss rates of less than 1 percent, CDFIs lend prudently and productively in exactly the low- and moderate-income (LMI) communities that are the focus of CRA.2 CDFIs have demonstrated that when you remove access to credit as a systemic barrier, communities in decline can begin to come back, and even thrive. Today, CDFIs provide financing where it is needed most- marginalized people in every community in the United States, as well as persistently poor inner cities, the Delta, Appalachia, Indian Country, and in other struggling communities. 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. The Community Reinvestment Act has played a key role in this effective collaboration, fostering millions of new homeowners, thriving businesses, and accountholders. Any reform should build on this successful record, not reverse or pull back. Proposed Reforms to the Community Reinvestment Act Regulations Over the past 40 years, CRA has helped bring affordable housing, small businesses, jobs, and banking services to underserved communities. While greater clarity and consistency for banks and other stakeholders is valuable, reforms to the regulatory framework of the Community Reinvestment Act (CRA) must advance the primary purpose of the statute: assuring that banks 1 CDFI Fund FY 2019 Annual Certification Report database. 2 Id at

2. Page 2 provide appropriate access to capital and credit to low- and moderate-income (LMI) people and places. The economic impact of the COVID-19 pandemic underscores the need for a CRA regulatory structure that encourages banks to do more to support low- and moderate-income communities, not less. CRA Must be Enforced through a Joint Regulatory Framework Since the law's inception, bank regulators have enforced CRA through a joint regulatory framework. Under this proposal, there could be multiple regulatory regimes to enforce the same law. This might encourage regulatory arbitrage, with banks "flipping" their charters from one agency to another to find the most advantageous regulations. PCV strongly encourages the Federal Reserve, FDIC, and OCC to continue to enforce CRA through a shared regulatory framework. The Federal Reserve's ANPR is an important step but its impact will be limited if all three regulators are not working under the same rule. PCV urges the bank regulators work together on commonsense reforms to the rule that will drive greater investment into marginalized communities. In general, PCV is supportive of the direction of many aspects of the Federal Reserve's reform proposal but there is room for improvement. PCV would like to provide the following comments on the ANPR: Section I. Introduction: Request for Feedback, Objectives, and Overview Question 1. Does the Board capture the most important CRA modernization objectives? Are there additional objectives that should be considered? Question 1 PCV agrees with the Board that "more effectively meet the needs of LMI communities and address inequities in credit access" is the core purpose of the CRA statute and must remain the focus of reform efforts. However, increasing lending, investing and services in communities of color and LMI communities should be listed as an explicit objective of the reform effort. One of the most important ways to determine the success of the efforts should be meaningful increases in bank lending, investing and services in LMI communities and communities of color. PCV supports reforms to increase certainty and transparency for banks but not at the expense of community impact. The new evaluation framework must be meaningful enough to encourage additional investments in low-wealth communities.

The Federal Reserve's proposal is a step in the right direction, but some aspects must be strengthened to encourage the investment needed to meet our nation's challenges. Section II - Background. Section II discusses the CRA's statutory history and purpose, including a discussion of the historical practice of redlining on the basis of race and the enactment of the CRA and other complementary federal civil rights laws to address systemic inequities in access to credit and other financial services. The background section also provides an overview of the Board's existing Regulation BB and stakeholder feedback on CRA modernization. Question 2. In considering how the CRA's history and purpose relate to the nation's current challenges, what modifications and approaches would strengthen CRA regulatory implementation in addressing ongoing systemic inequity in credit access for minority individuals and communities? Question 2 Page 3 PCV appreciates the Board seeking feedback on this critical aspect of CRA. The law's history as civil rights legislation to address the impacts of racial discrimination in banking should not be downplayed. The CRA is rooted in addressing systemic inequity, and it is important that the Board's proposal focus on increasing lending and investment in communities of color. A focus on race is well within the statutory focus of CRA. There are explicit references to race in the legislation including allowing investments with Minority Depository Institutions (MDIs), womenowned financial institutions, or low-income credit unions in minority communities to count for CRA credit. The law also requires reporting to Congress comparing depository institutions' lending in "minority neighborhoods" as well as other distressed areas.3 Further, as the National Association of Affordable Housing Lenders (NAAHL) notes, CRA's establishment of a "continuing and affirmative obligation" by banks to serve their entire communities implies more proactivity than just meeting a fair lending mandate not to discriminate. While CRA does examine service to low- and moderate-income (LMI) people and communities, "LMI" and "minority" are far from the same; most LMI people are White and many Black and Latinx people are not LMI. Moreover, rates of home and business ownership for people of color - which are critical to overcoming racial wealth gaps - are significantly below those for Whites, even after considering inter-group income disparities. Efforts to truly address the racial wealth gap requires regulators to meaningfully assess how banks are meeting the financial needs of communities of color. The inclusion of race in the CRA evaluation should not be relegated to "extra credit" or optional as the current proposal largely has it structured. The proposed remedies of considering underserved areas on exams and encouraging more financing to minority depository institutions are insufficient to address systemic inequities. PCV agrees with Hope Enterprise Corporation and the National Community Reinvestment Coalition (NCRC) that a bank should not be able to even reach a presumption of satisfactory without demonstrated accountability of lending to people and communities of color in its assessment areas. To ensure capital is flowing to communities of color, at a minimum, lending to people and communities of color should be included in the quantitative evaluation for both the retail and community development financing subtests. On the retail lending subtest, performance measures could include the percent of loans to people of color and the percent of loans in communities of color. On the community development subtest, a performance measure could be the number and percent of community development loans and investments in communities of color. PCV has additional recommendations throughout our comments for ways CRA can better address the capital needs in communities of color. Section III - Assessment Areas and Defining Local Communities for CRA Evaluations.

Questions 3-10 Section III addresses the issue of how to define a bank's local communities, which impacts where banks' CRA performance is evaluated and is critical for ensuring that the CRA fulfills its purpose of encouraging banks to meet the credit needs of their local communities. Question 5. Should facility-based assessment area delineation requirements be tailored based on bank size, with large banks being required to delineate facility-based assessment areas as, at least, one or more contiguous counties and smaller banks being 3 U.S. Code Title 12. BANKS AND BANKING Chapter 30. COMMUNITY REINVESTMENT Page 4 able to delineate smaller political subdivisions, such as portions of cities or townships, as long as they consist of whole census tracts? The ANPR considers whether small banks should be required to serve whole counties in their assessment areas due to branch or ATM locations, or whether they can "carve out" by census tract. PCV does not support allowing small banks to exclude parts of counties where it has a does not have a physical presence and where it has de minimus lending or there is substantial competition. This could have a negative impact on larger rural counties where a bank might not have a physical presence but still conducts substantial business in the community. Market share should be considered when determining a bank's assessment areas - banks with significant market share that are taking deposits or making loans throughout a county should have CRA obligations throughout that county.

Question 8. Should delineation of new deposit- or lending-based assessment areas apply only to internet banks that do not have physical locations or should it also apply more broadly to other large banks with substantial activity beyond their branch-based assessment areas? Is there a certain threshold of such activity that should trigger additional assessment areas? PCV recommends creating new assessment areas in addition to facility-based assessment areas for banks with significant activity outside of their assessment areas. These additional assessment areas should be based on a hybrid approach of where banks lend and take deposits from consumers. As PCV noted in our comments to the OCC, "deposit-based" assessment areas, a reform is aimed at addressing how the banking industry has evolved to include banks with no or limited "bricks & mortar" presence, are unlikely to do enough to address the "CRA deserts" problem facing rural, Native and other low-wealth markets today.4 Communities with high concentrations of low-income residents are unlikely to generate the level of bank deposits to trigger the creation of a deposit-based assessment area. Similarly, low population communities are also likely to be missed. PCV agrees with NCRC that the delineation of deposit or lending-based assessment areas should apply to both internet banks and other large hybrid banks that engage in significant lending or deposit-taking outside of their physical footprint. Banks must have an obligation to serve LMI and communities of color in all the areas in which they engage in significant amount of business, not only in areas with their branches. If they are not held accountable for making loans, investments and services to underserved communities in areas beyond their branches, racial and income disparities in access to credit will widen.

Question 9. Should nationwide assessment areas apply only to internet banks? If so, should internet banks be defined as banks deriving no more than 20 percent of their deposits from branch-based assessment areas or by using some other threshold? Should wholesale and limited purpose banks, and industrial loan companies, also have the option to be evaluated under a nationwide assessment area approach? PCV is concerned that a national assessment area for online banks might leave communities of color or severely economically distressed areas underserved. As NCRC notes, this would allow internet banks to cherry pick which areas to serve in their retail and community development 4 PCV Comments to the FDIC and OCC on Proposed Changes to the Community Reinvestment Act, April 8, 2020 Page 5 activities. In other words, internet banks would gravitate towards serving those areas in which it is easiest to conduct CRA activities rather than areas most in needs of credit and capital. Using a hybrid deposit or lending based assessment area approach to create local assessment areas for internet banks is a better approach. Section IV - Overview of Evaluation Framework. Questions 11-13 Section IV provides an overview of the Board's proposed framework for evaluating banks' CRA performance with a Retail Test and a Community Development Test. The Retail Test would include two subtests: A Retail Lending Subtest and a Retail Services Subtest. The Community Development Test would also include two subtests: A Community Development Financing Subtest and a Community Development Services Subtest. This section proposes tailoring these tests based on differences in bank asset size and business models. Question 13. Is $750 million or $1 billion an appropriate asset threshold to distinguish between small and large retail banks? Or should this threshold be lower so that it is closer to the current small bank threshold of $326 million? Should the regulation contain an automatic mechanism for allowing that threshold to adjust with aggregate national inflation over time? PCV strongly opposes the ANPR's proposal to increase the threshold for small banks from those under $326 million in assets to either $750 million or $1 billion. The increase in small bank threshold could exempt many more banks from a community development test, which could impact community development investment in CDFIs and rural areas. Rural areas are more likely to be served by small banks, and already receive less community development investment than urban areas. As PCV member HOPE Enterprise Corporation notes, the Fed's justification making some of these changes is lack of capacity for community development in rural areas - yet the proposed solution is to reduce community development requirements in these communities. The Fed should be moving to strengthen, not exempt, banks' meaningful investments in rural communities, particularly communities of color and persistent poverty communities. Section V - Retail Test. Questions 14-32 Section V describes the two subtests of the proposed Retail Test. For the Retail Lending Subtest, the Board proposes a metrics-based approach that is tailored based on a bank's major product lines and on the credit needs and opportunities within its assessment area(s). For the Retail Services Subtest, the Board proposes a qualitative approach that is intended to provide greater predictability and transparency for evaluating important aspects of retail banking services, including branches, other delivery systems, and deposit products. Question 16. Should the presumption of "satisfactory" approach combine low and moderate-income categories when calculating the retail lending distribution metrics in order to reduce overall complexity, or should they be reviewed separately to emphasize performance within each category? Page 6 Bank retail lending should be reported separately for low-income and moderate-income categories. This will allow full analysis of a bank's lending in low income communities and help determine if banks are focusing on serving moderate income households while leaving low-income households underserved and underbanked.

Question 19. Would the proposed presumption of "satisfactory" approach for the Retail Lending Subtest be an appropriate way to increase clarity, consistency, and transparency? The presumption of "satisfactory" approach is reasonable if the performance measures and thresholds are high enough to be meaningful and encourage additional investment and lending. Section VI - Retail Test Qualifying Activities. Questions 33-41 Section VI discusses updating and clarifying certain aspects of Retail Test qualifying activities, including the designation of major product lines, the evaluation of consumer loan products, the definitions of small business and small farm loans, and the consideration of retail activities.

Question 35. What standard should be used to determine the evaluation of consumer loans: (1) A substantial majority standard based on the number of loans, dollar amount of loans, or a combination of the two; or (2) a major product line designation based on the dollar volume of consumer lending? Consumer lending should be evaluated routinely on CRA exams if the lending exceeds the thresholds for a major product category. Question 36. Should consumer loans be evaluated as a single aggregate product line or do the different characteristics, purposes, average loan amounts, and uses of the consumer loan categories (e.g., motor vehicle loans, credit cards) merit a separate evaluation for each? When evaluating a bank's consumer lending for CRA purposes, the quality of the consumer product is extremely relevant. High-cost credit card, car and student loans which may be detrimental to the financial health of the borrower should not receive CRA credit.

Question 37. Should the Board continue to define small business and small farm loans based on the Call Report definitions, or should Regulation BB define the small business and small farm loan thresholds independently? Should the Board likewise adjust the small business and small farm gross annual revenues thresholds? Should any or all of these thresholds be regularly revised to account for inflation? If so, at what intervals? Yes, the Board should continue to define small business and small farm loans based on Call Report definitions of $1 million or less. This is aligned with the well documented need for smaller dollar lending for business owners. The Federal Reserve's 2021 Small Business Credit Survey found that 90 percent of business owners seeking capital sought financing of less than $1 million, with 48 percent seeking less than $100,000 in financing.5 Increasing the dollar threshold allows banks to 5 "Small Business Credit Survey: 2021 Report on Employer Firms", Federal Reserve Banks, Accessed February 7, 2021. https://www.fedsmallbusiness.org/survey/2021/report-on-employer-firms Page 7 obtain CRA credit for making larger loans likely to have been made in the normal course of business. PCV also urges the Board to coordinate with other federal data collection requirements. CDFIs currently report to numerous federal agencies on their small business lending activity including the Small Business Administration (SBA) and CDFI Fund. The implementation of Dodd-Frank Section 1071 will also require reporting on small business lending to the Consumer Financial Protection Bureau. Section 1071 data will create a public database with data on race, gender and other demographics of small business applicants for credit that may be comprehensive enough to replace the small business data collection required by bank regulators for CRA, as well as at SBA and CDFI Fund. Since Section 1071 requires more detailed reporting than the CRA regulation in addition to the data elements that CRA now requires, Section 1071 data could become the data source that CRA exams use in the future. Banks and CDFIs would find it more efficient to submit data in one format as Section 1071 data than to have one or possibly two more annual data submission requirements.

Question 39. Are there other alternatives that would promote liquidity by freeing up capital so that banks and other lenders, such as CDFIs, can make additional home mortgage loans to LMI individuals? As NCRC notes, current CRA exams rarely discuss whether banks are purchasing loans from CDFIs that are particularly responsive to local needs. Examiners should review purchased loans separately from loan originations on CRA exams to determine the concentration of bank activity in loan purchases. This method of examination would allow banks to offer greater detail on their loan purchases. Activities that provide liquidity to CDFIs or other mission lenders could be considered particularly responsive or impactful and receive additional consideration. Question 40. Should CRA consideration be given for retail lending activities conducted within Indian Country regardless of whether those activities are located in the bank's assessment area(s)? Yes. The CDFI Fund's 2016 report "Access to Capital and Credit in Native Communities" stated "the Community Reinvestment Act of 1977 (CRA) is intended to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods, consistent with safe and sound operations.Nonetheless, it is possible for banks to satisfy their requirements under the CRA without working with a Native Community located on Native lands (communities which otherwise meet CRA criteria). The CRA was not intended to exclude Native Communities living on tribal lands, but in practice it often does."6 Addressing the centuries of disinvestment and discrimination in Native communities requires focused efforts to drive capital into Indian Country. CRA has been an underutilized tool and PCV encourages the Board to redouble efforts to support lending and investment in Native communities, 6 Native Nations Institute, "Access to Capital and Credit in Native

Communities", Published 2015. Accessed February 6, 2021. http://nni.arizona.edu/application/files/6315/2822/4505/Accessing_Capital_and_Credit_in_Native_Communiti es.pdf Page 8 regardless of whether these activities occur in a bank's assessment area. Activities undertaken with Native CDFIs should be considered especially impactful and responsive. Section VII. Community Development Test. Questions 42-51 Section VII describes the two subtests of the proposed Community Development Test: A Community Development Financing Subtest and a Community Development Services Subtest. The Board proposes a metrics-based approach to evaluating community development financing activities that is transparent, predictable, and tailored to the community development needs and opportunities within an assessment area. For the Community Development Services Subtest, the Board proposes evaluating community development services in a way that better recognizes the value of qualifying volunteer activities, especially in rural communities.

Question 42. Should the Board combine community development loans and investments under one subtest? Would the proposed approach provide incentives for stronger and more effective community development financing? PCV supports evaluating all community development financing under one test. However, it is critical banks report and be evaluated on community development lending and investment activities separately to avoid banks shifting more activity into lending at the expense of critical community development investments that support activities like Low Income Housing Tax Credit and New Markets Tax Credits projects. Question 43. For large retail banks, should the Board use the ratio of dollars of community development financing activities to deposits to measure its level of community development financing activity relative to its capacity to lend and invest within an assessment area? Are there readily available alternative data sources that could measure a bank's capacity to finance community development? Yes, this is the appropriate ratio to assess a bank's capacity to finance community development. Using this ratio would provide consistency and objectivity when measuring a bank's community development activities. Question 44. For wholesale and limited purpose banks, is there an appropriate measure of financial capacity for these banks, as an alternative to using deposits? PCV recommends the Board continue to use assets to measure the capacity of wholesale and limited purpose banks to finance community development, as currently used on CRA exams.

Question 45. Should the Board use local and national benchmarks in evaluating large bank community development financing performance to account for differences in community development needs and opportunities across assessment areas and over time? Yes. Using local and national benchmarks will provide important context for examiners to determine if a bank is engaging in adequate amount of financing while also taking into account local conditions that may impact community development like capacity constraints. PCV also supports using different national benchmarks for metropolitan areas and one for rural areas since rural areas have average community development ratios that are lower than for urban ones. Page 9 However, we caution not to allow the lower benchmarks in rural communities create a "race to the bottom", whereby banks aim only to achieve the same low levels of investment that has been the historical standard, especially in CRA deserts. Similarly, benchmarks may be very high in CRA hotspots but not reflective of the actual community development needs. The performance context will be key in determining the weight given to local benchmarks. Question 46. How should thresholds for the community development financing metric be calibrated to local conditions? What additional analysis should the Board conduct to set thresholds for the community development financing metric using the local and national benchmarks? How should those thresholds be used in determining conclusions for the Community Development Financing Subtest? As noted in the ANPR, there is currently little information on prior period community development loans, on financing activities in broader statewide and regional areas, or on activities in many smaller cities and rural areas. It is difficult to determine how to develop those thresholds without additional data and analysis. PCV agrees with the Board that it is necessary at least initially to treat the thresholds as a general guideline to help evaluate a bank's community development financing metric until more data is available.

Question 47. Should the Board use impact scores for qualitative considerations in the Community Development Financing Subtest? What supplementary metrics would help examiners evaluate the impact and responsiveness of community development financing activities? PCV supports the use of impact scores a part of the qualitative evaluation of a bank's community development activities. In particular, we support providing an impact score for each community development loan and investment individually, as some activities are far more impactful than others. Impact scores can be used to account for responsiveness, innovation and complexity. The proposal recommends a scale of one to three to measure impact but does not provide sufficient detail about which activities would qualify for a one, two, or three as an impact score. The Board should provide examples and more detail about the types of projects that would be considered at each level of impact. Question 48. Should the Board develop quantitative metrics for evaluating community development services? If so, what metrics should it consider? No. Community development services are difficult to quantify but are important and should receive qualitative consideration on the community development test.

Question 50. Should volunteer activities unrelated to the provision of financial services, or those without a primary purpose of community development, receive CRA consideration for banks in rural assessment areas? If so, should consideration be expanded to include all banks? No. Banks should only receive credit for volunteer activities directly related to the provision of financial services or that have a community development purpose. Community development services should be related to financial services or the regulatory definition of community development (including affordable housing and economic development). The Board is considering making an exception for rural areas and allowing activities such as volunteering in homeless shelters. Page 10 While PCV understands that opportunities for offering community development are limited in rural areas, PCV agrees with NCRC's recommendation that the Board should use the current definition of community development services in rural areas to encourage banks to offer services such as financial education directly through its branch network if the area lacks a nonprofit organization or other established means of offering community development services. Examiners can use performance context to adjust for any specific local challenges to delivering community development services. Section VIII. Community Development Test Qualifying Activities. Questions 52-72 Section VIII discusses proposals for clarifying and updating Community Development Test qualifying activities pertaining to affordable housing, community services, economic development, and revitalization and stabilization, and discusses updating how activities outside of a bank's assessment areas would be considered. The Board seeks to emphasize qualifying activities that support MDIs and Community Development Financial Institutions (CDFIs). In addition, the Board is considering how to treat community development activities outside of assessment areas to help address discrepancies between so-called CRA "hot spots" and "deserts." The Board seeks feedback on defining designated areas of need-for example, in Indian Country or in areas that meet an "economically distressed" definition-where banks could conduct community development activity outside of an assessment area. The Board also seeks feedback on approaches to increase the upfront certainty about what activities qualify for CRA credit, including a process for banks and other stakeholders to obtain pre-approval that a particular activity qualifies for consideration and publication of illustrative lists of qualifying activities. Question 56. How should the Board determine whether a community services activity is targeted to low- or moderate- income individuals? Should a geographic proxy be considered for all community services or should there be additional criteria? Could other proxies be used? A geographical proxy (such as whether the facility or activity is in a LMI census tract) is appropriate for determining whether a community facility such as a homeless shelter or a health care facility supports LMI communities. In addition, the current guidelines stipulating that 50% or more of the recipients of a federal or non-federal government program are LMI individuals is appropriate to determine if the community service benefits LMI people. PCV also supports the Board's proposal to also use Pell Grants and federal disability programs to measure whether community services benefit LMI and underserved populations.

Question 57. What other options should the Board consider for revising the economic development definition to provide incentives for engaging in activity with smaller businesses and farms and/or minority-owned businesses? PCV agrees with the Board that community development activities that support minority-owned, women-owned and other small businesses with revenues of less than $1 million should receive CRA credit. To encourage additional activity with the smallest businesses, the Board should remove requirements that the businesses create jobs for LMI people. Sole proprietorships make up more than three quarters of all small businesses - and businesses owned by people of color are more likely to be sole proprietors. Page 11 Question 58. How could the Board establish clearer standards for economic development activities to "demonstrate LMI job creation, retention, or improvement"? PCV recommends the Board consult with other federal agencies, in particular the CDFI Fund, on documentation of job creation, retention or improvement. CDFI recipients of financial assistance from the CDFI Fund are required to document and report on job creation associated with their small business loans. The CDFI Fund's Transaction Level reporting provides guidance on how to calculate job-related data points - including permanent jobs, temporary jobs, construction jobs.7 Question 62. Should the Board include disaster preparedness and climate resilience as qualifying activities in certain targeted geographies? Yes, definitely. The Board should also consider the impact of environmental racism on and provide additional consideration for activities that support communities of color at risk of severe impacts of climate change.

Question 64. Would providing CRA credit at the institution level for investments in MDIs, women-owned financial institutions, and low-income credit unions that are outside of assessment areas or eligible states or regions provide increased incentives to invest in these mission-oriented institutions? Would designating these investments as a factor for an "outstanding" rating provide appropriate incentives? The proposed evaluation framework - providing qualitative consideration for moving from satisfactory presumption to outstanding rating - is insufficient to motivate investments into these institutions. Figuring out how best to incorporate support for MDIs, women-owned financial institutions and CDFIs as part of the structure of CRA exams and assessment areas would be a more rigorous and objective way to support these institutions and elevate their importance. PCV recommends consideration of support for CDFIs and MDIs in the quantitative evaluation of banks in their assessment areas if activity occurs within the assessment area. Activities occurring outside of a bank's assessment area should be incorporated into institutional or state-level community development evaluations. Question 65. Should MDIs and women-owned financial institutions receive CRA credit for investing in other MDIs, women-owned financial institutions, and low-income credit unions? Should they receive CRA credit for investing in their own institutions, and if so, for which activities? Yes. MDIs, women-owned financial institutions, low-income credit unions and CDFI banks should receive CRA credit for investments in other MDIs, women-owned financial institutions, and lowincome credit unions and CDFIs, especially those located in and/or serving communities of color. Question 66. What additional policies should the Board consider to provide incentives for additional investment in and partnership with MDIs? PCV agrees with NCRC's recommendation that the Board should highlight and disseminate best practices and innovative examples of support for MDIs, women-owned financial institutions, low7 CDFI Transactional Level Report Data Point Guidance September 2020, https://www.cdfifund.gov/sites/cdfi/files/documents/8.-cdfi-tlr-guidance-sept-2020.pdf Page 12 income credit unions and CDFIs. The Board should make publications and other tools available on its website and those of the Federal Reserve Banks. Question 67. Should banks receive CRA consideration for loans, investments, or services in conjunction with a CDFI operating anywhere in the country? PCV strongly supports the Federal Reserve's proposal to allow automatic CRA credit for qualified activities in conjunction with certified CDFIs located anywhere in the country, even outside of the bank's assessment area. However, the current placement in the evaluation framework is not necessarily sufficient to motivate investment. Activities undertaken in conjunction with a CDFI should count as part of the Community Development Test - not just receive qualitative consideration for moving from satisfactory presumption to outstanding rating. Similar to the recommendations for MDIs, investments into CDFIs must be meaningful to ensure they reach historically overlooked communities. Banks should get additional credit for working with CDFIs based in or serving designated areas of need and CDFIs serving communities of color, and for providing equity or equity equivalent products. Question 69. Should the Board expand the geographic areas for community development activities to include designated areas of need? Should activities within designated areas of need that are also in a bank's assessment area(s) or eligible states and territories be considered particularly responsive? PCV supports the Board's proposal that banks get CRA credit for community development activities in a newly created designation of Designated Areas of Need, without regard for a bank's assessment areas. However, the Fed must do more to ensure these investments reach the intended communities. The CRA credit provided for investments in "designated areas of need" must be given enough weight to incent investments and the designated areas of need must be correctly defined. Evaluation Framework - The evaluation framework must create enough incentive for banks to conduct activities in areas of designated need. In addition, the evaluation must take into account both people and place - ensuring the investments actually reach low-income people and people of color living in these designated areas. Activities that are deeply targeted or highly impactful should receive additional consideration or higher impact scores. Defining Areas of Designated Need - While the list of criteria proposed is a good start, there are still concerns that the broad definitions will result in CRA activity will remain concentrated in more populous or urban areas, leaving rural and Native communities without investment. Reaching communities of color as an area of designated need must be a priority. The Board should also annually publish and update a list of designated areas of need and make public the criteria for adding and removing areas from the list.

Question 71. Would an illustrative, but non-exhaustive, list of CRA eligible activities provide greater clarity on activities that count for CRA purposes? How should such a list be developed and published, and how frequently should it be amended? PCV agrees that inconsistent decisions on the part of examiners and a lack of transparency can leave bankers and stakeholders guessing about what qualifies for CRA credit and how much credit an activity will receive. We appreciate the attempt to add more consistency to CRA rules by being clearer about what counts for CRA. Page 13 The transparency embraced by providing and updating an illustrative list of CRA qualifying activities is welcome. A public list of CRA eligible activities provides clarity and certainty, helping banks make better investment decisions without waiting years after engaging in a transaction to find out if an activity qualifies for CRA credit. The list of CRA eligible activities can also provide additional guidance impact scores and how certain activities might be scored by examiners and encourage banks to engage in responsive and innovative activities.

Question 72. Should a pre-approval process for community development activities focus on specific proposed transactions, or on more general categories of eligible activities? If more specific, what information should be provided about the transactions? Both. The Board should provide guidance on broad categories of eligible activities but also, where possible, include examples of specific transactions within those categories. For example, the Board could pre-approve pandemic related small business lending activities as eligible for CRA credit, and then provide the specific example of banks providing lines of credit to CDFIs to make Paycheck Protection Program loans as an eligible community development activity. Section X. Ratings.

Questions 79-99 In Section X, the Board discusses updating the way in which state, multistate metropolitan statistical area (MSA), and institution ratings are reached, basing these ratings in local assessment area conclusions for the different subtests, as applicable. Question 79. For a bank with multiple assessment areas in a state or multistate MSA, should the Board limit how high a rating can be for the state or multistate MSA if there is a pattern of persistently weaker performance in multiple assessment areas? Yes. A bank that underperforms across multiple assessment areas in the state should not be able to receive a high rating at the state or MSA level. The appropriate threshold (e.g. weak performance in 20 percent of assessment areas) should be determined based on local conditions and performance context. Question 80. Barring legitimate performance context reasons, should a "needs to improve" conclusion for an assessment area be downgraded to "substantial noncompliance" if there is no appreciable improvement at the next examination? Yes. Banks that consistently fail to improve performance on CRA exams should be downgraded. Question 81. Should large bank ratings be simplified by eliminating the distinction between "high" and "low" satisfactory ratings in favor of a single "satisfactory" rating for all banks? No. The "high" and "low" satisfactory threshold should remain in place. This is particularly important as 98 percent of banks currently score "Satisfactory" on their exams, yet clearly there is wide variance in their levels of activity and its effectiveness. These additional categories help differentiate bank performance. Question 82. Does the use of a standardized approach, such as the weighted average approach and matrices presented above, increase transparency in developing the Retail Page 14 and Community Development Test assessment area conclusions? Should examiners have discretion to adjust the weighting of the Retail and Community Development subtests in deriving assessment area conclusions? The proposal to assign a bank's overall rating on the Retail Test and Community Development Test by using a weighted average of each of the bank's assessment area-level conclusions is a good reform. PCV strongly supports eliminating the designation of full- and limited-scope assessment areas in the evaluation process and agrees that a bank's overall rating should reflect its performance in all of its local communities. This change may also increase investments in rural communities that previously may have only received a limited scope exam. Examiners should still retain some flexibility to adjust weighting based on local market conditions and performance context, including evaluating the role a bank plays in a market. A bank may make only a small volume of loans in a particular assessment area as a portion of its total activity, but that lending could be the overwhelming source of financial services in that area. Question 83. For large banks, is the proposed approach sufficiently transparent for combining and weighting the Retail Test and Community Development Test scores to derive the overall rating at the state and institution levels? Community development and retail activities should be evenly weighted. While mortgages, consumer loans, small business and small farm loans are of critical importance, community development activities are also pivotal in addressing the credit needs of low and moderate income communities. Further, as nonbank mortgage and small business lending companies without CRA obligations continue to capture more market share from banks, it can limit market opportunity for banks in those sectors. Allowing equal weighting for retail and community development activities may spur additional investments in activities addressing workforce development, economic development, and affordable housing needs.

Question 86. For small banks, should community development and retail services activities augment only "satisfactory" performance, or should they augment performance at any level, and if at any level, should enhancement be limited to small institutions that serve primarily rural areas, or small banks with a few assessment areas or below a certain asset threshold? Retail and community development services are important, but banks must also be focused on lending activities. Services activities should be able to augment satisfactory lending performance, but a bank that is not performing well in its lending should not be able to receive a satisfactory or outstanding rating based off services.

Question 88. Should consideration for an outstanding rating prompted by an investment or other activity in MDIs, women-owned financial institutions, and low-income credit unions be contingent upon the bank at least falling within the "satisfactory" range of performance? Yes, as well as activities undertaken with CDFIs. A bank should not be considered for an outstanding rating without at least reaching satisfactory performance, regardless of the activities undertaken with MDIs, women-owned financial institutions, and low-income credit unions and CDFIs. However as noted in Question XX, PCV recommends these activities receive quantitative consideration. Page 15

Question 89. Would it be helpful to provide greater detail on the types and level of activities with MDIs, women-owned financial institutions, and low-income credit unions necessary to elevate a "satisfactory" rating to "outstanding"? Yes, similar to the list of CRA qualifying activities, it would be helpful to have illustrative examples. However, it is important to clarify that the activities are examples and not the only activities that might qualify, and to live some flexibility for banks to develop partnerships that meet the needs of communities. Section XI. Data Collection and Reporting. In Section XI, the Board solicits feedback on potential revisions to data collection and reporting requirements. The Board is mindful of the potential tradeoff between the expanded use of metrics to provide greater certainty and consistency and the expanded need for data collection and reporting and has prioritized using existing data wherever possible. The Board has also prioritized approaches that would exempt small banks from new data collection requirements. In addition, the Board seeks feedback on deposits data options for large banks, and in particular for large banks with extensive deposit activity outside of the areas served by their physical branches. The Board seeks feedback on how to balance the certainty provided through the use of metrics in CRA performance evaluations with the potential data burden implications. Question 91. Is the certainty of accurate community development financing measures using bank collected retail deposits data a worthwhile tradeoff for the burden associated with collecting and reporting this data for all large banks with two or more assessment areas? Yes. The community development data available now is extremely limited, making it difficult to determine the appropriate metrics for the community development test benchmarks. The short term burden banks might experience in adjusting to new data collections is far outweighed by the public benefit of having more accurate community development data.

Question 95. Are the community development financing data points proposed for collection and reporting appropriate? Should others be considered? PCV supports NCRC's recommendation that similar to HMDA and small business data, the community development lending and investment data must be submitted annually and publicly by banks on a census tract, county level, and assessment areas level. Banks should also have to provide more granular data on their community development activities. For example, banks are currently not required to report on the community development lending or investments undertaken in concert with a CDFI. This makes it difficult to track, measure and assess this activity. The community development data should also be reported separately for the major categories of community development including affordable housing, small business, community facilities, etc. Question 96. Is collecting community development data at the loan or investment level and reporting that data at the county level or MSA level an appropriate way to gather and make information available to the public? Page 16 PCV recommends collecting loan and investment community development data at the census tract level.

Question 97. Is the burden associated with data collection and reporting justified to gain consistency in evaluations and provide greater certainty for banks in how their community development financing activity will be evaluated? The existing CRA reporting system makes it difficult for the public to analyze CRA performance data and assess how well banks are meeting the needs of communities. CRA reports on an individual bank's performance are very complex and rarely timely, limiting their usefulness. PCV supports providing greater public access to CRA data, exams and timely publication of bank evaluations in a user-friendly format, as well as the enhanced reporting on community development activities. The data collection and reporting would not be too burdensome for banks as many banks are already reporting some data for public welfare investments on a loan or investment level. Other large banks are also reporting aggregate community development lending, so loan or investment level data should be relatively accessible. Question 99. Possible data points for community development services may include the number and hours of community development services, the community development purpose, and the counties impacted by the activity. Are there other data points that should be included? Would a Board-provided template improve the consistency of the data collection or are there other options for data collection that should be considered? Yes, these are the appropriate data points for evaluation of community development services. PCV agrees with NCRC that a template would be valuable for collecting this information because CRA exams are currently inconsistent regarding which of these data points are included on exam tables. The community development purpose is critical because it would help an examiner use impact scores to evaluate the quality and responsiveness of the services.