NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH FUND, INC.

February 16, 2021

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Advanced Notice of Proposed Rulemaking on Reforming the Community Reinvestment Act Regulatory Framework; Docket R-1723 and RIN #7100-AF94

To Whom It May Concern:

The National Council on Agricultural Life and Labor Research Fund, Inc. (NCALL) appreciates the opportunity to comment on the Federal Reserve Board's "Advanced Notice of Proposed Rulemaking (ANPR) on Reforming the Community Reinvestment Act Regulatory Framework."

For more than four decades, NCALL, a community development financial institution (CDFI) and NeighborWorks America chartered organization, has leveraged Community Reinvestment Act (CRA) investments from banking institutions to provide critical services to low- to moderate-income (LMI) people in our target market of the Delmarva Peninsula. These services include prepurchase and foreclosure prevention counseling, financial coaching, affordable housing development, community development lending, technical assistance to nonprofits, and other community revitalization activities. With a mission to "strengthen communities through housing, lending, and education," NCALL has counseled more than 9,000 new homeowners, provided financial coaching to more than 8,000 people, saved more than 1,500 homes from foreclosure, developed 58 affordable apartment communities, and deployed more than $138 million in community development loans. We currently receive an average of $339,000 per year in CRA-motivated operational grants, and additional annual support in the form of capital grants, that are critical to this tremendous impact. Our organization strongly supports the Community Reinvestment Act while also acknowledging that there are aspects of the law and its administration that could be improved.

Since its inception in 1977, 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 CRA must advance the primary purpose of the statute:

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assuring that banks provide appropriate access to capital and credit to LMI people and places. This should be listed as an explicit objective of the reform efforts. In addition, CRA must continue to be enforced through a joint regulatory framework. Any meaningful attempt at CRA reform will have limited impact if all three regulators (Federal Reserve, OCC, FDIC) are not working under the same rules.

We appreciate the Board's request for feedback on addressing the ongoing systemic inequity in credit access for minority individuals and communities. A focus on race is well within the statutory focus of CRA, with explicit references to race in the legislation including allowing investments with Minority Depository Institutions (MDIs), women-owned financial institutions, or low-income credit unions in minority communities to count for CRA credit. 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. Rather, to ensure capital is flowing to communities of color, lending to people and communities of color should be included in the quantitative evaluation for both the retail and community development financing subtests.

NCALL supports the Board's proposal of creating new assessment areas in addition to facility-based assessment areas for banks with significant activity outside of their assessment areas. We believe these additional assessment areas should be based on a hybrid approach of where banks lend and take deposits from consumers. Attempts at reform should be based on how the banking industry has evolved to include banks with no or limited "bricks and mortar" presence, as they are unlikely to do enough to address the "CRA deserts" problem facing rural, Native American, and other low-wealth areas. 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. Banks must have an obligation to serve LMI and communities of color in all areas in which they engage in significant amounts of business, not only in areas with their branches.

In addition, we agree with the Board's proposal that banks receive CRA credit for community development activities in newly-created "Designated Areas of Need" without regard for a bank's assessment areas. However, the evaluation framework must ensure that investments actually reach low-income people and people of color living in these designated areas. Also, the current definition of these areas is too broad and will likely result in CRA activity concentrated in more populous or urban areas, leaving rural and Native communities without investment.

NCALL 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 a bank's assessment area. Banks should get additional credit for working with CDFIs based in or serving "Designated Areas of Need" and CDFIs serving communities of color. Likewise, banks should receive CRA credit for activities undertaken in partnership with an organization whose mission is to serve LMI people and communities. Such organizations include NeighborWorks America chartered organizations and HUD-approved housing counseling organizations.

We strongly oppose 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. Such an increase in the small bank threshold could exempt many more banks from a community development test, which could impact community development investment in rural areas. Rural areas are more likely to be served by small banks, and they already receive less community development investment than urban areas. The Federal Reserve should be moving to strengthen, not exempt, banks' meaningful investments in rural communities, particularly communities of color and persistent poverty.

NCALL also opposes expanding financial education to all income levels since LMI consumers and people of color are most likely to be unbanked or underbanked. The Federal Reserve can designate additional subgroups in the population such as people of color or people with disabilities for whom CRA credit for financial education or other community development activity can be earned as opposed to opening it up to everyone regardless of need.

NCALL supports evaluating community development financing (both lending and investment) under one test. However, it is critical that banks report and be evaluated on community development lending and investment activities separately. This will help to avoid banks shifting more activity into lending at the expense of critical community development investments that support activities such as Low Income Housing Tax Credit and New Markets Tax Credit projects.

We agree that the Board should continue to define small business and small farm loans as those of $1 million or less. This is aligned with the well documented need for smaller dollar lending for business owners. Increasing the dollar threshold allows banks to obtain CRA credit for making larger loans likely to have been made in the normal course of business. In addition, we agree with the Board that community development activities that support minority-owned, women-owned, and other small businesses with revenues of $1 million or less should receive CRA credit.

We thank you for the opportunity to provide these comments. The Federal Reserve's ANPR is an important step toward much needed CRA reform, but some aspects must be strengthened to encourage meaningful investment in low-wealth communities and to remove inequities in credit access. NCALL strongly supports an effective, well-enforced Community Reinvestment Act that more effectively meets the needs of LMI communities while keeping pace with the changing financial services industry.

Sincerely,

Karen B. Speakman

Karen B. Speakman
Executive Director