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120 E. Main Street, Ravenna, Ohio 44266

February 16, 2021

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

**RE: Docket No. R-1723 and RIN 7100-AF94 (Advanced Notice of Proposed Rulemaking  
Community Reinvestment Act)**

Dear Ms. Misback:

I am writing in response to the request for comments on the Advanced Notice of Proposed Rulemaking Community Reinvestment Act. I am the Executive Director of Neighborhood Development Services (NDS), a non-profit organization and an exemplary-rated member of the NeighborWorks America network. NDS is dedicated to its mission to revitalize neighborhoods and communities through the provision and/or promotion of affordable housing, environmental sustainability, economic development, and job creation primarily for the benefit of low and moderate income households. As an organization that is dedicated to serving low and moderate-income households, we wanted to share our thoughts on the proposed changes to the CRA.

First, we would like to urge the OCC to increase its expectations of small banks. Smaller financial institutions often have strong ties to the local community and are therefore better positioned to respond to the needs of the community. While these smaller institutions certainly should not be held to the same threshold as larger lenders, they should not be completely exempt from requirements to engage in CD activities. Instead, we would encourage the OCC to scale their expectations for these institutions appropriately. This will allow these more knowledgeable, local banks to engage in activities that will support their local communities, which are more likely to be rural or underserved and thus more in need of the investment.

Furthermore, NDS is concerned with the Board's proposal to increase the asset threshold for defining small banks to \$750 million or \$1 billion, and we encourage the Board to maintain the current threshold (though indexing the ratio for inflation would be wise). Since small banks are exempt from many of the requirements of the CRA, increasing this threshold, especially by such a large amount, would substantially reduce the number of banks subjected to the full CRA requirements. As a result, this would decrease the amount of investment, particularly in rural and minority communities, and would counteract the efforts of the CRA.

NDS further encourages the Board to structure the CRA to incentivize a physical presence in communities where it is most needed, including LMI neighborhoods and rural communities. This is especially important because these communities often lack adequate broadband needed to fully take advantage of internet-based banking services. In addition, brick and mortar bank branches often build deeper relationships with the community, its residents, and its businesses. As such, their employees are

better able to identify the true needs of the community due to their firsthand knowledge of the area and their relationships with its stakeholders.

NDS agrees that the modernized CRA should encourage patient capital. As such, we support basing the CD financing test on the combined loans and investments on an institution's balance sheet. This will remove the current incentive to provide short terms for CD activities and allow lenders to better meet the needs of their CD partners. Finally, we encourage the Board to consider adopting a larger scale that the proposed 1-3 that will be utilized to measure the value of different activities. This will allow the board to more effectively differentiate between projects with minimum impact versus those that may provide a tremendous impact in a community, such as equity investments, including LIHTCs, which require a higher level of effort and commitment for banks, while produced much more meaningful and long-lasting impacts in the communities.

NDS firmly believes that the CRA can be a powerful tool for incentivizing valuable partnerships between banks and local communities, including local non-profits that serve them, in order to achieve shared goals. As such, we support the proposal to give CRA eligibility to any activity undertaken in partnership with a Community Development Financial Institution (CDFI), and we recommend extending this proposal to all projects undertaken between a lender and a chartered member of the NeighborWorks America Network. NeighborWorks Network organizations are mission-driven organizations that meet vigorous financial and management assessments on an ongoing basis. In addition, these organizations are required to demonstrate an ongoing commitment to resident leadership, which ensure that the organization represents the interests of the low and moderate-income residents in the communities it serves.

We genuinely appreciate the opportunity to express our support, concerns, and thoughts regarding the modernization of the CRA. We further recognize and appreciate the effort that the Board and others have already put into the effort to ensure that the CRA regulations continues to benefit our communities well into the future.

Sincerely,

*Stacy Brown*

Stacy Brown  
Executive Director  
Neighborhood Development Services, Inc.  
120 E. Main St.  
Ravenna, OH 44266  
sbrown@ndsohio.org



330-297-6400 \* [www.ndsohio.org](http://www.ndsohio.org) \* 330-297-1633 Fax

