

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

Description:

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Comments:

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Your comment: Montana Native Growth Fund ("MNGF") is an independent, non-profit Native Community Development Financial Institution ("CDFI") based on the Fort Belknap Indian Reservation in North Central Montana. We commend the recognition that current Community Reinvestment Act (CRA) impact falls far short of serving the communities for whom it was intended and are grateful to comment on the modernization and clarification of the CRA as a well sharpened tool for bridging gaps in access to capital for underserved and unbanked communities, and particularly for tribal communities. There remains support for the original mission of the CRA, however, the details of who the CRA serves, and how it serves them fail to support the mission, leaving tribal communities out of the equation. There is much room for improvement. In fact, the opportunity we have before us to sharpen the reach and effectiveness of this tool is tremendous. May we rise to the occasion and implement new and effective measures, restoring capacity for the CRA to fulfill the original mission. We need to better define Indian Country in relation to CRA service area, commit to creating new channels of capital flow through expanded CRA investment in smart partnerships with Native CDFI's and Native organizations working daily in Indian Country, and provide a tiered and prioritized framework of well-incentivized CRA investment in order to fulfill the mission.

Better Define Indian Country

We recognize the extreme lack of outreach to these areas under the current regulations. The primary mechanism for measurement of CRA investment by looking at a bank's metropolitan service area (MSA), does not fully recognize what we know as Indian Country. Within Indian Country, we find the most disparate conditions in those who are unbanked and without access to capital, credit or any means of personal financial wealth building or community economic development beyond the shortcomings of historically underfunded federal programs. We concur with NCAI, NAFOA, NCN and tribal nations in the creation of a new assessment area exclusive to Indian Country, as set forth in guidance submitted by NCAI. We urge for CRA modernization to allow CRA credit for banks investing in Indian Country and Native CDFI's regardless of the defined metropolitan service area (MSA). Understanding the scope of Indian Country and recognizing the gaps in service is the first step in better

tribal engagement on a number of fronts.

Commit To Creating New Channels Of Capital Flow Through Smart Partnerships

Native CDFI's are the key to modernizing CRA. They have long recognized the great volume of need in these outlying communities and have developed a rich network of relationships and resources, largely without the benefit of CRA banking partnerships. Banks cannot or will not reach our communities. Many tribal communities have no credit union or FDIC insured bank, so Native CDFI's have grown in number and scope of services. We know our communities well and have the business infrastructure in place to wisely deploy capital. It is a match made in CRA heaven. Most Native CDFI's, whether tribal or independent, are non-profit, having to build our capital base through accumulation of retained earnings, grant contributions, or philanthropic sources. Therefore, we encourage CRA modernization to include Program Related Investments (PRI's) and equity-like investments in Native CDFI's. The potential for mutually beneficial, mission driven partnerships is tremendous. Successful partnership and stories of impact need to be told, and a large-scale education campaign to highlight these new opportunities will be key to opening these channels of community sustaining capital flow.

Provide A Tiered And Prioritized Framework Of Well-Incentivized CRA Investment

We advocate for parity for tribal communities and the Native CDFI's serving them in reaping the benefit of CRA investment, and for rewarding the types of investment activities most conducive to impart long-term sustainability. Credit for investing in Indian Country alone may fall short but offering the means of obtaining additional CRA credit for meeting the challenges of development in tribal communities head on through the smart partnerships laid out above may further incentivize banks to follow through, expanding the scope and increasing the total impact of CRA dollars across the country. CRA credit given should be tiered in terms of its long-term impact (ie: credit card loans less than consumer mortgages or small business lending, which are higher priority due to greater long-term impact). This in turn provides the financial framework to augment the work of underfunded federal programs. For example, a for-profit tribal enterprise works to create jobs and stimulates the tribal economy by increasing revenues to replace tax dollars. The Tribal housing authority receives grant funds to create new homes for the growing workforce but those funds falls short, so the tribal enterprise also develops new homes with earned revenue but because significant infrastructure development is needed, the funds are still short, so the Native CDFI educates the new homeowners with a PRI earning CRA credit and facilitates further affordable housing development and tribal mortgage products so all new development can be used to increase tribal homeownership creating increased demand for local goods and services and subsequently small business capital offered through the CDFI, who knows the community it serves well and has strong CRA investment with the nearest bank and long-term, patient capital to lend as a result of CRA incentive to invest. This is a win-win-win resulting in generational impact for the child of the new home and business owners.

Thank you for reviewing our electronic submission. We look forward to mutually beneficial progress and the revision of CRA guidelines to encourage the growth of seeds it was intended to plant in all underserved communities.

Sincerely,
Tonya Plummer
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