

# **VOICES OF CFDis, MDIs, WDis AND LICUs: A LISTENING SESSION ON CRA PROPOSED RULEMAKING**

**July 14, 2022  
10:00 a.m. CT**



**FEDERAL RESERVE BANK  
OF MINNEAPOLIS**

# Today's agenda

- Overview of the Current CRA
- Transition to a new CRA
- CRANPR
  - CRA Reform Objectives
  - Key Elements
  - Examples
  - Submitting comments
- Questions and feedback





# OVERVIEW OF THE CURRENT CRA



# OVERVIEW OF THE CURRENT CRA

The framework for evaluating a Bank's CRA performance.



Facts and data



Performance context



Assessment areas



Size and scope



FEDERAL RESERVE BANK OF MINNEAPOLIS

# OVERVIEW OF THE CURRENT CRA



Evaluation of a Bank’s activities depends on its asset size.

Small Bank	Intermediate-Small Bank	Large Bank
Lending Test	Lending Test	Lending Test
	Combined Community Development Test	Investment Test
		Service Test



# OVERVIEW OF THE CURRENT CRA

## Community Development defined

- Affordable Housing for low- and moderate-income persons
- Community Services targeted primarily to LMI persons
- Economic Development activities that help finance small businesses or farms or that provide job training
- Revitalization or Stabilization activities.



# CURRENT EXAMPLES OF CD INVESTMENTS

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- Investments in CDFIs
- Investments in loan pools for LMI borrowers or small businesses
- State or local bonds for CD projects
- Low-income Housing Tax Credits
- Small Business Investment Companies



# CURRENT EXAMPLES OF CD SERVICES

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- Service on a board or committee
- Participation in an IDA program
- Helping design a loan program
- Assisting in marketing or fundraising
- Providing technical skills such as human resources, IT, legal or other expertise





# TRANSITION TO A NEW CRA


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- The current period of CRA Modernization began in 2018 with the OCC's Advanced Notice of Proposed Rule Making (ANPR)
- Federal Reserve Board issued ANPR on October 19, 2020
- OCC Rescinded its 2020 CRA Rule on December 14, 2021
- The three agencies issued the Notice of Proposed Rule Making on May 5, 2022
- Public comment period ends on August 5, 2022
- Three agencies will review comments expeditiously



# TRANSITION TO A NEW CRA

- The NPR is long! *Why?*
  - Tailoring to bank size, complexity, and business model
  - Unique needs of various geographies and communities
  - Feedback that the regulations need to be clear and explicit in their proposal
- How to read the NPR
  - Long preamble describes the current rules and provides the reasoning for the proposed changes
  - Each section provides:
    - Background
    - Stakeholder feedback
    - The proposed rules
    - Request for feedback to specific questions



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DEPARTMENT OF THE TREASURY

Office of the Comptroller of the Currency

12 CFR Part 25

[Docket ID OCC-2022-0002]

RIN 1557-AP15

FEDERAL RESERVE SYSTEM

12 CFR Part 228

[Regulation BB; Docket No. R-1769]

RIN 7100-AG29

FEDERAL DEPOSIT INSURANCE CORPORATION

12 CFR Part 345

RIN 3064-AF81

Community Reinvestment Act

AGENCY: Board of Governors of the Federal Reserve System; Federal Deposit Insurance Corporation; and Office of the Comptroller of the Currency, Treasury

ACTION: Joint notice of proposed rulemaking; request for comment.

SUMMARY: The Board of Governors of the Federal Reserve System (Board), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) propose to amend their regulations implementing the Community Reinvestment Act of 1977 (CRA) to update how CRA activities qualify for consideration, where CRA activities are considered, and how CRA activities are evaluated.

DATES: Comments must be received on or before August 5, 2022.

ADDRESSES: Comments should be directed to:  
• OCC: Commenters are encouraged to submit comments through the Federal eRulemaking Portal. Please use the title "Community Reinvestment Act" to facilitate the organization and distribution of the comments. You may submit comments by any of the following methods:  
• Federal eRulemaking Portal—Regulations.gov: Go to <https://www.regulations.gov/>. Enter "Docket ID OCC-2022-0002" in the Search Box and click "Search." Public comments can be submitted via the "Comment" box below the displayed document information or by clicking on the document title and then clicking the "Comment" box on the top-left side of the screen. For help with submitting effective comments please click on

"Commenter's Checklist." For assistance with the Regulations.gov site, please call (877) 378-5457 (toll free) or (703) 454-9859 Monday-Friday, 9 a.m.–5 p.m. EST or email [regulations@erulemakinghelpdesk.com](mailto:regulations@erulemakinghelpdesk.com).

• Mail: Chief Counsel's Office, Attention: Comment Processing, Office of the Comptroller of the Currency, 400 7th Street SW, Suite 3E-218, Washington, DC 20219.

• Hand Delivery/Courier: 400 7th Street SW, Suite 3E-218, Washington, DC 20219.

Instructions: You must include "OCC" as the agency name and "Docket ID OCC-2022-0002" in your comment. In general, the OCC will enter all comments received into the docket and publish the comments on the Regulations.gov website without change, including any business or personal information provided such as name and address information, email addresses, or phone numbers. Comments received, including attachments and other supporting materials, are part of the public record and subject to public disclosure. Do not include any information in your comment or supporting materials that you consider confidential or inappropriate for public disclosure. You may review comments and other related materials that pertain to this action by the following method:  
• Viewing Comments Electronically—Regulations.gov: Go to <https://www.regulations.gov/>. Enter "Docket ID OCC-2022-0002" in the Search Box and click "Search." Click on the "Documents" tab and then the document's title. After clicking the document's title, click the "Browse Comments" tab. Comments can be viewed and filtered by clicking on the "Sort By" drop-down on the right side of the screen or the "Refine Results" options on the left side of the screen. Supporting materials can be viewed by clicking on the "Documents" tab and filtered by clicking on the "Sort By" drop-down on the right side of the screen or the "Refine Documents Results" options on the left side of the screen." For assistance with the Regulations.gov site, please call (877) 378-5457 (toll free) or (703) 454-9859 Monday-Friday, 9 a.m.–5 p.m. EST or email [regulations@erulemakinghelpdesk.com](mailto:regulations@erulemakinghelpdesk.com).

The docket may be viewed after the close of the comment period in the same manner as during the comment period.

Board: You may submit comments, identified by Docket No. R-1769 and RIN 7100-AG29, by any of the following methods:  
• Agency Website: <http://www.federalreserve.gov/>. Follow the

instructions for submitting comments at <http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm>.

• Email: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov). Include docket and RIN numbers in the subject line of the message.  
• Fax: (202) 452-3819 or (202) 452-3102.

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

Instructions: All public comments are available from the Board's website at <http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm> as submitted. Accordingly, comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper in Room M-4365A, 2001 C Street NW, Washington, DC 20551, between 9:00 a.m. and 5:00 p.m. during Federal business weekdays. For security reasons, the Board requires that visitors make an appointment to inspect comments. You may do so by calling (202) 452-3064. Upon arrival, visitors will be required to present valid government-issued photo identification and to submit to security screening in order to inspect and photocopy comments. For users of TTY-TSRS, please call 711 from any telephone, anywhere in the United States.

FDIC: You may submit comments, identified by RIN 3064-AF81, by any of the following methods:  
• Agency Website: <https://www.fdic.gov/resources/regulations/federal-register-publications/>. Follow instructions for submitting comments on the Agency website.  
• Email: [comments@fdic.gov](mailto:comments@fdic.gov). Include RIN 3064-AF81 on the subject line of the message.  
• Mail: James P. Sheesley, Assistant Executive Secretary, Attention: Comments RIN 3064-AF81, Federal Deposit Insurance Corporation, 550 17th Street NW, Washington, DC 20429.

• Hand Delivery/Courier: Comments may be hand delivered to the guard station at the rear of the 550 17th Street NW building (located on F Street NW) on business days between 7:00 a.m. and 5:00 p.m.

Public Inspection: Comments received, including any personal information provided, may be posted without change to <https://www.fdic.gov/resources/regulations/federal-register-publications/>. Commenters should submit only information that the commenter wishes to make available publicly. The FDIC may review, redact, or refrain from posting all or any portion



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# Notice of Proposed Rulemaking for the Community Reinvestment Act

**Overview of NPR proposals**  
**Comment period through August 5, 2022**

## CRA Reform Objectives

- Strengthen the achievement of the core purpose of the statute
- Adapt to changes in the banking industry, including mobile and online banking
- Provide greater clarity and consistency in the application of the regulations
- Tailor performance standards to account for differences in bank size, business model, and local conditions
- Tailor data collection and reporting requirements and use existing data whenever possible
- Promote transparency and public engagement
- Confirm that CRA and fair lending responsibilities are mutually reinforcing
- Create a consistent regulatory approach among all three banking agencies



## Key Elements

- Assessment Areas
- Community Development Definitions
- Overall Evaluation Framework
- Performance Tests
  - Retail Lending Tests
  - Retail Services and Products Test
  - Community Development Financing Test
  - Community Development Services Test
    - Impact Review
- Ratings
- Data Collection and Reporting

# CRA NPR: Community Development Definitions (1)

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**Overview:** Provide more certainty on eligible activities and emphasize activities that are responsive to community needs, especially the needs of low- and moderate-income (LMI) individuals, LMI communities, small businesses, and small farms.

Under the proposal, the agencies would:

- Define a primary purpose standard for community development activities to ensure activities benefit LMI individuals and communities, as well as distressed and underserved non-metropolitan census tracts
- Include standards for qualifying activities building on current guidance
- Maintain a publicly available illustrative list of qualified community development activities and develop a process for a bank to request confirmation of an activity's eligibility

# CRA NPR: Community Development Definitions (2)

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The proposal would include eleven community development categories that build on the existing community development definition. They are intended to provide greater clarity on activities that qualify:

- Affordable housing
- Economic development
- Community supportive services
- Revitalization activities undertaken with a government plan, program, or initiative
- Essential community facilities
- Essential community infrastructure
- Recovery activities in designated disaster areas
- Disaster preparedness and climate resiliency
- Activities with minority depository institutions (MDIs), women's depository institutions (WDIs), low-income credit unions (LICUs), and Treasury Department-certified community development financial institutions (CDFIs)
- Financial literacy
- Activities in Native Land Areas



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# Notice of Proposed Rulemaking for the Community Reinvestment Act

Overview of provisions to support financial intermediaries



# CRA NPR: Defining an MDI

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A minority depository institution is a depository institution:

- In which (i) more than 50 percent of the ownership or control is held by one or more minority individuals and (ii) more than 50 percent of the net profit or loss of which accrues to one or more minority individuals,
- As defined in section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, or
- Considered to be as such by the appropriate federal banking agency.

# Increasing certainty about treatment of bank-intermediary partnerships

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To increase certainty surrounding the treatment of activities that support financial intermediaries including MDIs, WDIs, LICUs, and CDFIs, the agencies propose two other changes:

- Investments, loan participations, and other ventures undertaken by any bank, including by MDIs and WDIs, in cooperation with other MDIs, other WDIs, or LICUs, would be considered for CRA credit.
- All activities with CDFIs (referred to as Treasury Department-certified) would be eligible CRA activities.

# CRA NPR: Encouraging CRA activities through an added impact review factor

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The agencies propose that one of the impact-review factors pertain to activities that support or are conducted in partnership with MDIs, WDIs, LICUs, or CDFIs, since these financial intermediaries have missions highly aligned with CRA's core purpose.

The NPR also specifies that retail lending-focused partnerships with MDIs, WDIs, LICUs, and Treasury Department-certified CDFIs should be considered when assessing the responsiveness of a bank's credit products, offered in a safe and sound manner, in meeting the needs of LMI communities

# Key questions in the NPR (part 1)

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- **Question 25.** Should the agencies also include in the MDI definition insured credit unions considered to be MDIs by National Credit Union Administration?
- **Question 26.** Should the agencies consider activities undertaken by an MDI or WDI to promote its own sustainability and profitability? If so, should additional eligibility criteria be considered to ensure investments will more directly benefit low- and moderate-income and other underserved communities?
- **Question 35.** Should the proposed factor on activities supporting MDIs, WDIs, LICUs, and Treasury Department-certified CDFIs exclude placement of short-term deposits, and should any other activities be excluded? Should the criterion specifically emphasize equity investments, long-term debt financing, donations, and services, and should other activities be emphasized?



## Key questions in the NPR (part 2)

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- **Question 105.** Should the agencies provide more specific guidance regarding what credit products and programs may be considered especially responsive, or is it preferable to provide general criteria so as not to discourage a bank from pursuing impactful and responsive activities that may deviate from the specific examples?

## Submitting Comments

Comment period ends on ***August 5, 2022***.

Comments can be submitted to any of the three agencies and all comments will be shared between the agencies. Refer to the NPR for additional details.

Board:

Submit a comment using the link on:

<https://www.federalreserve.gov/consumerscommunities/community-reinvestment-act-proposed-rulemaking.htm>

Comments can also be emailed, faxed, or mailed.

OCC:

Submit a comment here: Go to <https://regulations.gov/>. Enter “Docket ID OCC-2022-0002” in the Search Box and click “Search.”

Comments can also be mailed or hand-delivered.

FDIC:

Submit a comment here: <http://www.fdic.gov/regulations/laws/federal/propose.html>. Include the RIN 3064 -AF81 on the subject line of the message.

Comments can also be emailed, mailed, or hand-delivered.