



CENTER FOR
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DEVELOPMENT

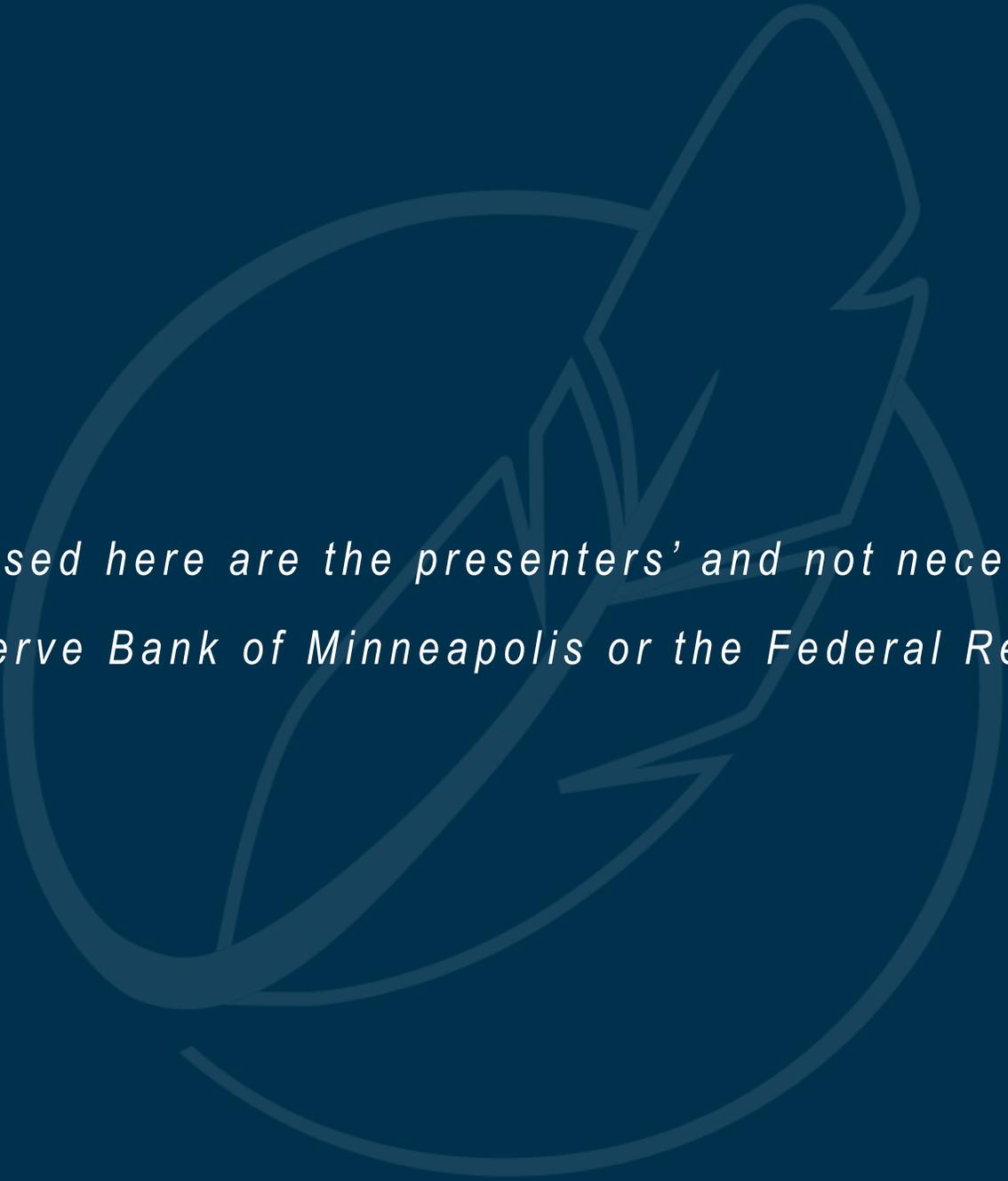


FEDERAL RESERVE BANK OF MINNEAPOLIS

MODERNIZED COMMUNITY REINVESTMENT ACT AND INDIAN COUNTRY

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The views expressed here are the presenters' and not necessarily those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System.

What is the Community Reinvestment Act?

- Passed by Congress in 1977 in response to discriminatory lending practices against racial minorities and low-income communities
- Examines a bank's lending and community development services based on that bank's asset size
- Three regulators: Board of Governors of the Federal Reserve System (Board), Federal Deposit Insurance Corporation (FDIC), and Office of the Comptroller of the Currency (OCC)



How does the new Community Reinvestment Act rule work?

The rule is tailored to differences in bank size and business models, with additional performance tests for large banks and flexibility for small banks to remain under the existing lending test or opt into the new Retail Lending Test. Intermediate banks also have the flexibility to remain under the existing CD test applicable to intermediate small banks under the current rule or opt into the new Community Development Financing Test. Limited purpose banks are evaluated under a tailored version of the Community Development Financing Test.

Large Banks ≥ \$2B	Retail Lending Test	Retail Services and Products Test	CD Financing Test	CD Services Test		
Intermediate Banks Retail lending test and existing CD test or opt into CD financing test \$600M - <\$2B	Retail Lending Test	<table border="1"> <tbody> <tr> <td>Existing CD test <small>(default)</small></td> <td>CD Financing Test <small>(opt-in)</small></td> </tr> </tbody> </table>		Existing CD test <small>(default)</small>	CD Financing Test <small>(opt-in)</small>	
Existing CD test <small>(default)</small>	CD Financing Test <small>(opt-in)</small>					
Small Banks Existing lending test or opt into Retail Lending Test <\$600M	<table border="1"> <tbody> <tr> <td>Existing lending test <small>(default)</small></td> <td>Retail Lending Test <small>(opt-in)</small></td> </tr> </tbody> </table>	Existing lending test <small>(default)</small>	Retail Lending Test <small>(opt-in)</small>			
Existing lending test <small>(default)</small>	Retail Lending Test <small>(opt-in)</small>					
Limited Purpose Banks	CD Financing Test					

- *Larger banks have a more complex exam; smaller banks have more flexibility*
- *Conversation today is focused on banking activity considered in the “Community Development Financing” and “Community Development Services” tests*

Why the new CRA rules matter to Native Land Areas



Photo credit: Tailyr Irvine

- There is persistent underinvestment in Native Land Areas at all levels: consumer/household, small business, infrastructure, tribal government
- Financing in Native Land Areas can be more complex than financing in other areas of underinvestment
- Modernized CRA seeks to encourage banks to finance activities that benefit residents of Native Land Areas



CRA MODERNIZATION AND NATIVE LAND AREAS

Definition of Native Land Areas

- Indian Country as defined by 18 U.S.C. §1151(a-c)
- Land held in trust or restricted fee
- Reservations established by a state government for a tribe or tribes recognized by the state
- Any Native village in Alaska as defined in 43 U.S.C. §1602(c)
- Hawaiian Homelands
- Specified Census-designated Native areas

Qualifying activities in Native Land Areas

Types of activities included in the category:

- Revitalization or stabilization
- Essential community facilities
- Essential community infrastructure
- Disaster preparedness and weather resiliency



Additional ways CRA activities can benefit tribal communities

- Activities that qualify under other community development categories, as well as otherwise qualifying retail activities, are also eligible for CRA consideration
- These activities can benefit communities in Native Land Areas, as well as Native communities outside of Native Land Areas



Photo credit: Jeffries Design/Image courtesy of Mazaska Owecaso Otipi Financial

Impact and responsiveness review

Final rule incorporates factors for evaluating impact and responsiveness, including whether an activity:

- Benefits or serves residents of Native Land Areas;
- Benefits or serves one or more persistent poverty counties or census tracts with a poverty rate of 40 percent or higher;
- Benefits or serves one or more geographic areas with low levels of community development financing;
- Supports an MDI, WDI, LICU, or CDFI;
- Benefits or serves low-income individuals, families, or households; or
- Supports small businesses or small farms with gross annual revenues of \$250,000 or less.

Illustrative list and confirmation process

Under the final rule the agencies plan to:

- Maintain a publicly available illustrative list of non-exhaustive examples of qualifying community development activities, and
- Establish a process for banks to confirm if a particular activity is eligible for community development consideration.



CRA SUPERVISION

CRA supervision: evaluating a bank's CRA performance

- Understanding the institution's assessment areas, including gathering and analyzing information such as:
 - Market economic conditions
 - Credit, investment, and other banking needs in these communities
 - Availability of qualified CD opportunities
 - Community demographics, including proximity to Native Land Areas
 - May include discussions with tribal leaders and members to understand the community's needs and level of bank engagement in the community
- Evaluating the bank's credit-related services, lending, and CD activities (if required) in its assessment areas, including to tribal members and in Native Land Areas

CRA supervision: key community development-related changes

- **CD definition:** Expands the types of CD-qualified activities under CRA and helps enhance understanding of what qualifies as CD
- **CD location:** Provides credit for most CD activities in any location beyond just the bank's assessment areas
- **Metrics:** Improves ability to determine relative performance level of bank's CRA activities, including CD activities
- **Review factors:** Assists with determining impact and responsiveness of any CD activities

THANK YOU

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