Community Reinvestment Act and Early Care and Education: Connections and Context for the Advance Notice of Proposed Rulemaking for the Community Reinvestment Act

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What is CRA?

- The Community Reinvestment Act (CRA) is a seminal piece of legislation enacted by Congress to address systemic inequities in access to credit
  - CRA requires the Federal Reserve and other federal banking regulators to encourage financial institutions to help meet the credit needs of the communities in which they do business
  - CRA and access to credit serve as the foundation for the Federal Reserve's community development work
What is CRA?

• CRA is enforced in part through bank examinations by the regulators
  • Bank evaluations are public and include facts and data to support the regulator’s conclusion
  • Examiners consider a bank’s performance context, including demographic data on incomes, cost of living, and overall economic climate
  • Banks are evaluated by activities with certain criteria, with different tests for small, intermediate small and large banks
  • Assessment areas define community for the purpose of evaluating CRA performance
What is CRA?

Community Development under CRA

1. **Affordable Housing** for low- and moderate-income persons
2. **Community Services** targeted primarily to LMI persons
3. **Economic Development** activities that help finance small businesses or farms or that provide job training
4. **Revitalization or Stabilization** activities in:
   - LMI census tracts
   - Underserved non metropolitan middle-income census tracts
   - Distressed nonmetropolitan middle-income census tracts
   - Certain designated disaster areas

Community Development activities must currently benefit the bank’s assessment area or a larger regional or statewide area that includes the assessment area.
What is CRA?

Community Development Loans

Examples of CD Loans

• Loan to a Small Business Development Corp, Economic Development Authority, or Community Development Financial Institution (CDFI)

• Loan to a Community Development Corporation

• Purchase community development loan from CDFI or other financial institution

• Participate on community development loan with consortium of banks or CDFI
What is CRA?

Community Development Investments

Examples of CD Investments include…
• Small business development organizations
• Workforce development programs
• Community-based childcare targeted to LMI persons
• Youth programs targeted to LMI youth
• Health care facilities that serve primarily LMI persons
What is CRA?

Community Development Investments

Examples of CD investments also include…

• Investments in CDFIs
• Investments in loan pools for LMI borrowers or small businesses
• State or local bonds for CD projects
• EQ2 investments
• Low-income Housing Tax Credits
• Small Business Investment Companies
What is CRA?

Community Development Services

Examples of CD Services to nonprofits include:
• 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
Comment Period

Goal: Build a foundation for the banking agencies to converge on a consistent approach that has the broad support of stakeholders

- **ANPR:** [https://www.federalregister.gov/documents/2020/10/19/2020-21227/community-reinvestment-act](https://www.federalregister.gov/documents/2020/10/19/2020-21227/community-reinvestment-act)

- **120 day comment period:**
  - Comment deadline is February 16, 2021

- **Instructions on submitting comments (described in ANPR):**
  - **Email:** regs.comments@federalreserve.gov. Include docket (R-1723) and RIN numbers (7100-AF94) in the subject line of the message.
  - **FAX:** (202) 452-3819 or (202) 452-3102.
  - **Mail:** Ann E. Misback, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue NW, Washington, DC 20551.