



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>
- **120 day comment period:**
 - Comment deadline is February 16, 2021
- **Instructions on submitting comments (described in ANPR):**
 - **Comment page on Federal Reserve Board website:**
https://www.federalreserve.gov/secure/forms/ElectronicCommentForm.aspx?doc_id=R-1723&doc_ver=1
 - **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.