National Tribal Listening Session on Community Reinvestment Act Modernization

Overview of ANPR goals and proposals
January 21, 2021
Agenda

• Introduction
• What is CRA?
• Indian Country and CRA
  • Examples of CRA Activity in Indian Country
• CRA Modernization
  • Questions focused on Indian Country
• Audience questions and feedback
Purpose of the Listening Session

• We are currently in the public comment period for the Advanced Notice of Proposed Rulemaking (ANPR) for CRA Modernization

• We are here to learn from Indian Country leaders, review the ANPR, and encourage you to provide public comment on CRA modernization

• CICD is working to gather Indian Country feedback on CRA Modernization

• The Fed wants to improve CRA as a regulatory framework to encourage capital and credit flow into Indian Country
Key Questions for Indian Country

- What are the capital, credit, and community development needs in Indian Country?
- What are the biggest barriers to accessing lending and financial services in your community?
- If your community had better access to lending and financial services, which services would be the most impactful?
- What has your tribal government’s experience been with engaging financial institutions on large infrastructure projects?
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 and the CICD
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?
Indian Country and CRA

• Tribes and Native Americans face enormous credit and capital access challenges
  • The COVID-19 pandemic has put a tremendous strain both on tribal communities and tribal economies
  • Access to financial institutions means access to a range of investments and services, including ATM and bank branch access for tribal members as well as larger loans for major tribal projects
  • Tribal nations face large infrastructure challenges, including needs in water systems, transportation, and broadband internet
General Examples of CRA Activity in Indian Country

• Grants, Donations, and Investments
  • CRA investments in community organizations
  • Investment in a Native CDFI
• Loans and Lines of Credit
  • Construction loan to a tribal housing authority
  • Operating lines of credit for a tribal enterprise
• Services
  • Technical assistance
  • Financial literacy programs
Specific Examples of CRA Activity in Indian Country

- Hunting lodge in Montana
- New Market Tax Credit (NMTC) deal for tribal wellness center
- Down payment assistance capital pool for Alaska Native homebuyers
CRA Modernization: Objectives

• Strengthen regulations in alignment with CRA statute to promote financial inclusion and to ensure a wide range of LMI banking needs are being met.

• Update standards in light of changes to banking over time, including mobile and internet banking.

• Provide greater certainty, tailor regulations, and minimize burden

• Provide a foundation for the agencies to converge on a consistent approach for a modernized CRA that has broad support among stakeholders
CRA Modernization: Qualifying Activities

**Goal:** *Increase certainty about what counts for CRA consideration and retain focus on activities that benefit low- and moderate-income communities*

- **Foster greater financial inclusion:**
  - Special provisions for minority depository institutions, women-owned financial institutions, low-income credit unions, and CDFIs
  - Broaden consideration to retail activities in Indian Country both inside and outside of a bank’s assessment area
  - Designate certain activities as impactful and responsive, such as housing for very low-income households and activities with very small businesses and minority-owned small businesses

- **Provide greater certainty to what counts in advance:**
  - Clearer definitions of affordable housing, community services, economic development, and revitalization and stabilization
  - Publication of a non-exclusive illustrative list and a pre-approval process
CRA Modernization: Qualifying Activities

Affordable Housing

• Should the Board specify certain activities that could be viewed as particularly responsive to affordable housing needs? If so, which activities?

Economic Development

• How could the definition be revised to provide incentives for engaging in activity with smaller businesses and farms and/or minority-owned businesses?

Revitalization and Stabilization

• How should an updated CRA exam incorporate larger “essential community needs and infrastructure” investments (e.g. roads and hospitals)?
Goal: Increase certainty as to where activities will be assessed and expand where activities will receive CRA consideration to foster financial inclusion

• Indian Country Eligibility and CRA Modernization
  • Should financial institutions get CRA consideration for activities in Indian Country that are outside their assessment areas?
  • How would expanded CRA eligibility affect access to credit and financial services in your community?
CRA Modernization: Impact Scores

How should regulators evaluate the impact of CRA activity in Indian Country?

• Would qualitative measures of the impact and responsiveness of proposed CRA activity help attract appropriate credit and investment?

• Should Indian Country credit and investments be scored with multipliers or other mechanisms for additional recognition of the need in tribal communities?
  • If so, which activities should be considered high impact?
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.
Key Questions for Indian Country

• What are the capital, credit, and community development needs in Indian Country?

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• If your community had better access to lending and financial services, which services would be the most impactful?

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