August 5, 2022

The Honorable Michael Hsu
Comptroller
Office of the Comptroller of the Currency
Chief Counsel's Office
Attention: Comment Processing
400 7th Street, SW
Suite 3E-218
Washington, DC 20219
RE: Community Reinvestment Act, Notice of Proposed Rulemaking, Docket Number R-1769, RIN 7100-AG29

The Honorable Jerome Powell
Chairman
Board of Governors of the Federal Reserve System
Attention: Ann E. Misback, Secretary
20th Street and Constitution Avenue, NW
Washington, DC 20551
RE: OCC Docket ID OCC–2022–0002

The Honorable Martin Gruenberg
Acting Chair
Deposit Insurance Corporation
Attention: James P. Sheesley, Assistant Executive Secretary
550 17th Street, NW
Washington, DC 20429
Attention: Comments RIN 3064–AF81

Re: Joint Notice of Proposed Rulemaking Regarding the Community Reinvestment Act Regulations, Docket No. R-1764 and RIN 7100—AG29

Dear Chairman Powell, Comptroller Hsu and Acting Chair Gruenberg:

As members of the Reimagining Rural Assistance Network (RRAN), we appreciate this opportunity to submit comments to the Board of Governors of the Federal Reserve System (Board)-Office of the Comptroller of the Currency (OCC)-Federal Depository Insurance Corporation (FDIC) Joint Notice of Proposed Rulemaking (NPR) regarding the Community Reinvestment Act (CRA). The Board-OCC-FDIC joint NPR is an impressive effort to improve the effectiveness and impact of the CRA.

The Reimagining Rural Assistance Network (RRAN) is comprised of member associations and networks, experts, advocates, practitioners, and local leaders committed to advancing federal policy that effectively supports equitable social and economic development in rural and Native communities in the United States. We strongly support the effort to create an updated CRA that both reflects modern banking practices and broadens the reach and efficacy of investments in underserved communities, as it presents an important opportunity to incentivize and increase much-needed investment in underserved rural and Native communities.

This is exceptionally important, given that employment and prime-age labor force participation in the nation's rural areas still had not recovered to pre-2008 recession levels even before COVID-19. While small businesses comprise 90% of the businesses in rural U.S. and rural businesses experience higher five-year survival rates than their urban counterparts, rural small business starts have also experienced significant decline since 2008. The growing geographic inequality in prosperity between rural and other areas in the U.S. is at risk of becoming a defining feature of the American economy, which creates urgency for public policy solutions that increase the quantity and quality of community development investment in rural places.

Rural America is also where the dual burden of place and race figures most prominently. Eighty-six percent of persistently poor counties are located in rural America, with every rural majority African American and Native American county persistently poor. This NPR, and the many efforts which will follow, are critically important to ensure not only that current CRA-related activities and investments continue, but that they expand to reach populations and communities for which access to affordable finance is still elusive.

An updated CRA offers the opportunity to expand access to capital, revitalize communities that have experience significant economic and other shocks, and improve the consistency of investment necessary for rural America to be equitable and resilient. CRA should build upon its established platform for improving communities' access to credit, and maintain the ethos, intent, and effectiveness of this vital institution.

To ensure that CRA maximizes its effectiveness and impact in reaching distressed, marginalized, and underinvested rural areas, we recommend:

- **Explicitly tracking bank lending activity by race and ethnicity.** The connection between bank lending and the nation's history of racial discrimination is too strong and too consequential for the final CRA rule to touch on these factors indirectly. We join a broad range of other stakeholders in calling for the regulators to make progress in rectifying the tragic legacy of "redlining" – and persistent racial and ethnic disparities in lending and household wealth – by incorporating race and ethnicity explicitly in the final rule.

- **Increasing the weight of the community development test to 50 percent of a large bank's overall rating.** The NPR's proposed approach gives the retail test a disproportionate weight in a bank's overall rating (60 percent). Banks could achieve a Satisfactory overall rating despite failing the combined community development and services tests (40 percent of overall rating).

  This may have the negative unintended consequence of reducing community development activities, providing an incentive for many large banks to cease to aspire to an Outstanding rating that requires real effort on community development activities and instead settle for achieving a Satisfactory rating on the retail lending test. This could have a particularly pernicious impact on rural America. RRAN joins many other stakeholders in recommending that the community development test be increased to 50 percent of a large bank's overall rating and that a bank be required to achieve a Low Satisfactory on this test in order to obtain an overall Satisfactory rating. We also recommend that a lender with 10 or more rural assessment areas should be required to earn a Satisfactory in a majority of its rural assessment areas to achieve an overall rating of Satisfactory or Outstanding.

- **Explicitly qualifying activities in rural areas as an Impact Factor**. Attracting investment in community development activities in rural communities can be especially challenging due to limited public and private sector resources; limited government and nonprofit capacity relative to other geographic areas; lower household incomes; and the lack of density that affects perceived return on investment. RRAN strongly recommends that community development activities in rural communities be included as an additional community development impact factor, to incentivize and recognize banks for their rural community development lending, investment, and services. This addition of rural investment as an additional impact factor should be informed by the most precise, evidence-based definitions already used by policymakers and the research community;

- **Regularly and transparently report on the impact of the CRA in driving investment to underserved rural communities.** Publicly available, detailed data on the public and private investment deployed for community development activities in rural America is far too scarce. Collecting and issuing regular reports on the community development activities of banks in distressed and underserved rural communities are crucial for providing the basis to identify geographic and demographic gaps, ensuring that banks are being incentivized to serve communities that have been historically marginalized or unable to access capital, especially communities of color. RRAN strongly recommends the issuance of a regular report on the assessed impact of the CRA, and that such a report details the impact among different geographic densities, including rural places.

As a coalition of national and regional leaders focused on maximizing the impact of federal investment for equitable rural development, we are deeply grateful for this opportunity to comment on the proposed rule. We believe this update offers a significant opportunity to strengthen prosperity, racial equity, and community resilience in rural America. Thank you.

Sincerely,

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SIGNED

Appalachian Community Capital
Aspen Institute Community Strategies Group
California Center for Rural Policy
Communities Unlimited, Inc.
Housing Assistance Council
Region 5 Development Commission
Rural Community Assistance Corporation
RuralOrganizing.com Education Fund