ADD YOUR LOGO OR LETTERHEAD

August 5, 2022

Office of the Comptroller of the Currency (RIN 1557-AF15)

Board of Governors of the Federal Reserve System (RIN 7100-AG29)

Federal Deposit Insurance Corporation (RIN 3064-AF81)

Via regulations.gov

Re: Community Reinvestment Act Joint Notice of Proposed Rulemaking

Dear Prudential Banking Regulators:

CREDIT UNION NAME appreciates the opportunity to comment on the Notice of Proposed Rulemaking regarding updates to the Community Reinvestment Act (CRA). Although the proposed rule includes important provisions that will encourage banks to partner with community development and CDFI credit unions like ours to help increase financial inclusion in underserved communities, it falls far short in confronting the deep and pervasive racial discrimination in our financial system that the CRA was intended to address. We recommend the agencies strengthen the proposed rule by focusing on racial justice and creating strong incentives for banks to increase their investment in responsible and locally-responsive community development and CDFI credit unions.

ADD A BRIEF SECTION ABOUT YOUR ORGANIZATION

**CRA Drives Capital to Underserved People & Communities**

If your credit union has received a CRA-motivated grant, loan or investment that has been impactful in your community, please use this box to briefly describe the program and its impact. **If you don’t have an example to share, please delete this box**.

**Racial Justice Is Key to CRA**

The CRA was enacted to address bank redlining but has always been implemented on a race-neutral basis, preventing it from effectively addressing racial discrimination in the financial system. Since the CRA was enacted, the racial wealth gap has grown and people living in historically redlined neighborhoods have experienced worse financial, health and climate risk outcomes than people living in historically white neighborhoods. Given these striking disparities and banks’ well-documented racial discrimination in mortgage lending, the proposed rule, at a minimum, should be updated to include meaningful analysis of lending data by race and ethnicity and that analysis should count toward CRA exam results.

**CFDI and MDI Credit Union Partnerships Have Deep Impact**

Given the CRA’s history of failure to meaningfully address racial discrimination, the proposed rule’s provision that activities with CDFIs, MDIs, WDIs and LICUs would be eligible for CRA consideration is a crucial update. CDFIs, particularly CDFI credit unions, have an explicit community development mission and deep experience working successfully with low-income people and people of color shut out of the mainstream financial system. MDI credit unions lend deepest in their communities and yet confront the same historic disinvestment as their communities, leaving them with limited capital reserves and an inability to grow and scale their lending. Prioritizing investments in these institutions will begin to reverse historic inequities in access to capital.

The agencies should, however, update the definition of MDIs to include both insured credit unions considered to be MDIs by the National Credit Union Administration as well as state-insured MDI credit unions and Puerto Rico’s cooperativas, which are cooperative financial institutions insured by a territory government agency, the Corporation for the Supervision and Insurance of Cooperatives. These institutions are insured, held to a rigorous standard of supervision and should be eligible for CRA-motivated loans and investments on an equal footing to MDI banks.

**CDFIs & MDIs Play a Critical Role in Community Development**

If you are a CDFI, MDI or Cooperativa and have a high-impact program that banks have refused to support because of uncertainty about whether it will be eligible for CRA consideration or because it would not be eligible for CRA consideration, please use this box to briefly describe the program and its impact. **If you don’t have an example to share, please delete this box**.

**Climate Resiliency**

The proposed rule’s focus on climate resiliency is critical given the climate crisis, and agencies should strengthen the rule by shifting its focus to climate justice and resiliency in climate-vulnerable communities. Climate change is a threat multiplier that is driving racial and economic inequality at a rate that’s faster than our ability to respond. The agencies should award CRA credit only to those activities that benefit climate-vulnerable people, specifically low- and moderate-income, tribal, and communities of color.

Climate justice activities should also promote financial inclusion as much as possible. PLEASE ADD AN EXAMPLE OF YOUR CLIMATE-JUSTICE FOCUSED ACTIVITIES IN PLACE OF THE REST OF THIS PARAGRAPH, **OR** KEEP THE REST OF THE PARAGRAPH IF YOU DON’T HAVE AN EXAMPLE For example, when Hurricanes Maria and Ida ripped through Puerto Rico the entire network of more than 100 cooperativas were up and running serving their members and communities to meet basic needs with cash for food and supplies within 24-48 hours. It took mainstream banks on the island weeks and months to reopen branches. Local credit unions and cooperativas are part of the fabric of their communities and act accordingly during climate-related and other disasters.

The proposed rule’s requirement that eligible climate resiliency activities must be carried out in conjunction with a government plan, program or initiative that includes an explicit focus on benefitting a geographic area that includes the targeted census tracts is overly limiting as these programs often lack a racial justice focus or move too slowly to respond effectively to emerging needs. Instead, the rule should focus on the beneficiaries of the activity and reaching people and neighborhoods that are underserved and overburdened by pollution and/or climate risk.

**Supporting Homeownership**

Banks have long failed to provide affordable, sustainable mortgages to low-income people and people of color at all income levels, and community development credit unions have stepped in to fill that gap. In YEAR OR YEARS, CREDIT UNION NAME made $X in responsible mortgage loans to its members who are PLEASE DESCRIBE YOUR MEMBERS AND/OR THEIR BARRIERS TO HOMEOWNERSHIP. If banks are unable or unwilling to do responsible mortgage lending without reliance on credit scores themselves, the CRA should encourage them to partner with credit unions and CDFIs to do this work. Banks should be encouraged to provide down payment assistance to borrowers as well as loans to and investments in credit unions and CDFIs.

In addition, the CRA should encourage banks to participate in the secondary market and provide long-term liquidity for these responsibly-made loans. Although this lending has been successful and foreclosure rates for credit unions’ loans are low, it has been difficult for credit unions to scale their mortgage lending because banks and the GSEs will not buy non-Qualified Mortgages or ITIN mortgages on the secondary market.

Thank you for the opportunity to comment. We urge the agencies to strengthen the proposed rule to ensure it effectively holds banks accountable for discriminatory and unfair practices and pushes them to support real, sustainable solutions to the many challenges people of color and low- and moderate-income people are facing.

Sincerely,