Statement from the Low Income Investment Fund on the Federal Reserve’s Approach to CRA Modernization

On September 21, 2020 the Federal Reserve Board unanimously voted to issue an advance notice of proposed rulemaking (ANPR) to collect public comments on proposed changes to the Community Reinvestment Act (CRA).

LIIF CEO Daniel A. Nissenbaum issued the following statement in response to the Federal Reserve’s proposal:

“As a community development financial institution (CDFI) with a mission of investing in communities of equity, opportunity and well-being, LIIF applauds the Federal Reserve for soliciting public feedback on an evidence-based proposal that squarely positions community need and racial equity at the core of CRA modernization. We are specifically encouraged to see the Federal Reserve propose a separate community development test, which LIIF has previously recommended due to the extraordinary importance of these activities on the ground.

LIIF is also pleased that the Federal Reserve continues to emphasize qualitative evaluation criteria. Through the depths of the current recession, CDFIs have demonstrated our essential role in the country’s credit markets by serving small businesses and other community partners who have not been able to access traditional financial institutions. Maintaining CRA’s emphasis on these innovative and responsive solutions is more important than ever as the COVID-19 pandemic exacerbates challenges across our communities.

LIIF is eager to evaluate the Federal Reserve’s full proposal and offer feedback to support strong, inclusive CRA regulations that move towards convergence with the other federal banking regulators.”

The Federal Reserve’s approach to CRA modernization diverges from the CRA rule finalized by the Office of the Comptroller of the Currency (OCC) earlier this year, which LIIF strongly opposed. It remains to be seen whether the Federal Deposit Insurance Corporation (FDIC) will join the Federal Reserve in soliciting public comments. LIIF continues to encourage all three regulators to reach consensus and move together on future CRA regulations.

Stakeholders will have 120 days to submit public comments after the proposal is published in the Federal Register.

Please contact Olivia Barrow, LIIF Policy Officer, for any questions.