



Changes to the Community Reinvestment Act: An Opportunity for Asset Building Philanthropy

March 13, 2023 | 1:00-2:00 pm (ET)



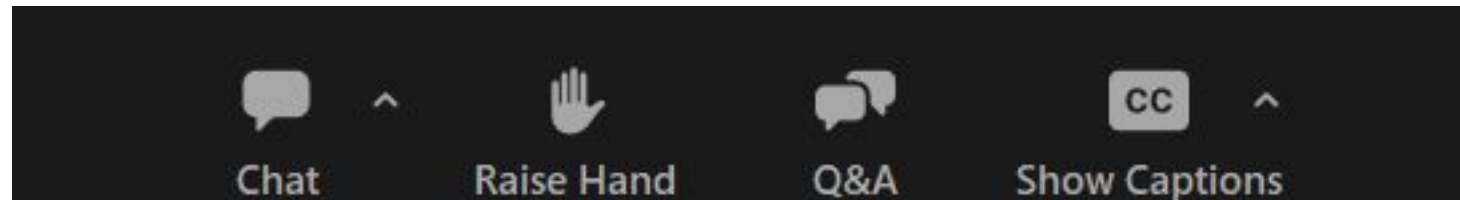
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2024 National Grantmaker Conference

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The Power of
Intentionality**



The banner features a top section with the word "NOVA" in large, white, cut-out letters. Each letter contains a different image: 'N' shows a city skyline, 'O' shows a sunset over water, 'V' shows a man's face, and 'A' shows a city skyline. Below this is a dark blue background with a white box on the left containing the "Accelerating Ideas into Action" logo, which includes a stylized arrow and the text "APRIL 16-18, 2024 NEW ORLEANS, LA" and "AFN ASSET FUNDERS NETWORK". To the right of the box, the text "AFN National Grantmaker Conference" is written in large white letters, followed by "APRIL 16-18, 2024 | NEW ORLEANS" in smaller white letters. At the bottom, the slogan "Be inspired. Be in the know. Experience New Orleans." is written in white.

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"I come to the AFN conference to discover what I don't know, and find an answer that I can bring back."

SPEAKER



Jesse Van Tol

President & CEO, National
Community Reinvestment
Coalition (NCRC)



Community Reinvestment Act (CRA) Final Rule

About NCRC

The National Community Reinvestment Coalition (NCRC) and its grassroots member organizations create opportunities for people to build wealth. Its [members](#) include community reinvestment organizations; community development corporations; local and state government agencies; faith-based institutions; community organizing and civil rights groups; minority and women-owned business associations, as well as local and social service providers from across the nation

Programs & Services

- Agenda-setting research, training, & insight
- Renovate and build affordable homes for low- and moderate-income families
- Counseling for home buyers and owners
- Business-building expertise for entrepreneurs
- Train and support housing counselors
- Test and challenge discrimination in financial services and housing
- Convene and facilitate agreements between financial institutions and community networks to increase lending, investments and philanthropy in neighborhoods that need it
- Represent members before Congress and federal regulatory agencies
- Routinely cited by journalists, economists and scholars focused on banking, housing, urban renewal, rural development and civil rights

Introduction to CRA

CRA was among a series of legislative attempts to end redlining and discrimination in housing and lending.

- Fair Housing Act (1968): outlaws redlining
- Equal Credit Opportunity Act (1974): prohibits discrimination
- Home Mortgage Disclosure Act (1975): disclosures
- Community Reinvestment Act (1977): *affirmative obligation*

Introduction to CRA

- Exams every 3-4 years
- Conducted by the primary federal regulator (OCC, FDIC or Federal Reserve)
- Opportunity for public comment
- Evaluates lending to LMI borrowers and neighborhoods
- The level of support for community development projects
- Maintaining branches in LMI neighborhoods
- Failing ratings restrict banks ability to merge or open new branches

Introduction to CRA

- Large Banks - \$2 billion in assets and up
 - Retail Lending Test – 40% weight of state, MSA, and institution/total rating
 - Community Development Financing Test – 40% weight of state, MSA, and institution/total rating
 - Retail Services and Products Test – 10% weight of state, MSA, and institution/total rating
 - Qualitative evaluation of products can only contribute positively
 - Community Development Services Test – 10% weight of state, MSA, and institution/total rating

Positive Changes from Previous CRA

– *Retail Lending Test and New Assessment Areas*

- More objective and transparent Retail Lending Test
- Analysis of small business/small farm lending now looks at lending to businesses under \$250,000 in revenue, instead of only under \$1 million
- Much more lending will be included in CRA exams due to new assessment areas

Implications for Philanthropy

- New categories of CRA eligible community development
- Factors of Impact and Responsiveness

New Community Development Categories

- The following categories have been added to the definition of community development:
 - Disaster preparedness and weather resiliency
 - Native Land Areas
 - Community supportive services
 - Activities with Minority depository institutions (MDIs), Women depository institutions (WDIs), Low income credit unions (LICUs), or Community Development Financial institutions (CDFIs)

Weather Resiliency

- “Weather resiliency” was originally called “climate resiliency” in the proposal
- These activities must:
 - benefit or serve targeted census tracts and their residents
 - be done in conjunction with a government plan, program, or initiative, or a mission-driven nonprofit organization,
 - not directly result in forced or involuntary relocation of individuals with LMI

Native Lands

- All banks will receive credit for CD activities on Native Lands
- Solved previous CRA issue where banks were hesitant to finance Native CD activities because it was out of assessment areas
- NCRC research confirms ongoing redlining of Native Lands

Community Supportive Services

- Activities that assist, benefit, or contribute to the health, stability, or well-being of LMI individuals
- Examples include:
 - Healthcare
 - Childcare
 - Educational needs
 - Support for people with disabilities

Impact & Responsiveness Factors

- CRA exams will now include how much of a bank's community development activities fits into 12 different categories of impact and responsiveness
- Purpose is to incentivize CD activity where it's most needed and has the largest impact
- Banks will want to avoid having nothing to report for the various categories, creating openings for new philanthropic initiatives

Impact & Responsiveness Factors

1. Serves persistent poverty counties, with persistent poverty counties defined as those with poverty rates of 20% or more for 30 years
2. Serves census tracts with a poverty rate of 40% or higher
3. Serves areas with low levels of community development financing

Impact & Responsiveness Factors

4. Supports MDI, WDI, LICU, or CDFI, excluding certificates of deposit with a term of less than one year
5. Benefits or serves individuals, families, or households with low income
6. Supports small businesses or small farms with gross annual revenues of \$250,000 or less
7. Directly facilitates the acquisition, construction, development, preservation, or improvement of affordable housing in High Opportunity areas

Impact & Responsiveness Factors

8. Benefits or serves residents of Native Land Areas

9. Is a CRA-eligible grant or donation

10. Is an investment in projects financed with LIHTC or NMTC

11. Reflects bank leadership through multi-faceted or instrumental support

12. Is a new community development financing product or service that addresses community development needs for individuals, families, or households with LMI

Contact information

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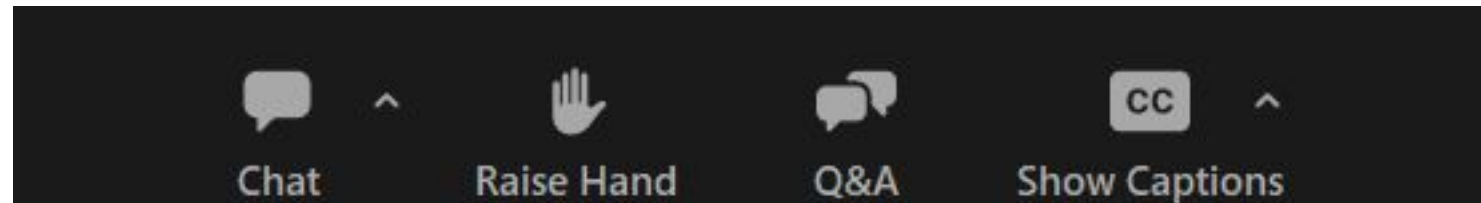
Q & A



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