DreamSpring

August 5, 2022

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
Re: Docket No. R-1769; RIN 7100-AG29

Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429
Re: RIN 3064-AF81

Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219
Re: Docket ID OCC-2022-0002

To Whom It May Concern:

DreamSpring appreciates the opportunity to comment on the Notice of Proposed Rulemaking (NPR) regarding updating the Community Reinvestment Act. DreamSpring strongly supports a Community Reinvestment Act (CRA) that effectively addresses systemic inequities in access to credit and expands financial inclusion. Our comments reflect a commitment to a community development finance industry in which banks and Community Development Financial Institutions (CDFIs) are vital partners in expanding access to capital and credit, particularly for historically underserved populations.

DreamSpring is a nonprofit organization that believes human potential is unleashed when all people have the opportunity to shape their own future. We exist to break down systemic barriers that inhibit that reality. We provide small business loans, personalized assistance, and a source of ongoing support and encouragement to people who build businesses that strengthen communities.

Our work lives at the intersection of compassion and capitalism and combines mission, technology, partnership, and heart to provide small business owners with the business credit to create jobs and bring critical goods and services into underserved communities.

During our 28 years of cumulative impact, DreamSpring has issued more than 44,725 loans totaling over $465 million to 29,000 small businesses in hundreds of communities in 23 states. Our work has produced a tangible economic impact, with an estimated 72,000 jobs supported by client businesses. DreamSpring is certified by the U.S. Department of the Treasury as a Community Development Financial Institution (CDFI) and is one of only 3% of charitable organizations in the U.S. to receive 10 consecutive four-star ratings from Charity Navigator. DreamSpring has twice been the recipient of the national Access to Capital award from the Minority Business Development Agency of the U.S. Department of Commerce. Our innovative practices and technological integration to support small business owners during the pandemic earned us a place on the *Fast Company* 2022 list of the Most Innovative Companies in the World.

DreamSpring is a member of Opportunity Finance Network (OFN), a national network of more than 370 CDFIs across the country. We would like to thank OFN for providing a collaborative framework to support its member organizations in the CRA comment process. DreamSpring is in support of the following recommendations, among others, drawn from comments submitted by OFN:

- While the NPR makes important strides in codifying the partnerships between CDFIs and banks, there are areas where the language must be strengthened and improved to alleviate ambiguity about how CDFIs should be treated. We strongly urge the agencies to retain and emphasize the language on page 93 that places *all CDFIs*, including CDFI banks and CDFI credit unions, on an equal footing with Minority Depository Institutions (MDIs) and Low-Income Credit Unions (LICUs) as qualifying for CRA consideration regardless of their location relative to an examined bank's assessment area.

  In particular, the agencies must affirm that "All activities with Treasury Department-certified CDFIs would be eligible CRA activities. Specifically, lending, investment, and service activities by any bank undertaken in connection with a Treasury Department-certified CDFI, at the time of the activity, would be presumed to qualify for CRA credit given these organizations would need to meet specific criteria to prove that they have a mission of promoting community development and provide financial products and services to low-or moderate-income individuals and communities."

- The proposed rule should more fully take into account important opportunities to advance racial equity, a goal well within the intent of the legislation. The original intent of CRA was to address racial inequality, but it has essentially used income as a proxy for race since the law passed.

  In other proposals, regulators took steps forward in acknowledging the importance of race in CRA. In the Advanced Notice of Proposed Rulemaking put forth by the Federal Reserve in September 2020, the Federal Reserve sought input on the how race should be more explicitly considered in a bank's CRA exams. However, in this NPR, there is little treatment of how race will be included in this reform effort. The agencies do acknowledge in the preamble that

CRA is a tool to rectify the racial injustices of redlining — and other systemically inequitable policies — and the law must "continue to recognize that CRA and fair lending are mutually reinforcing." The CRA is a primary tool in regulators' toolbox to bridge the racial wealth gap and this proposed rule should explicitly do more of this critical work.

- DreamSpring, like OFN, also urges the agencies to provide explicit consideration for activities designed to support individuals with disabilities. As the National Disability Finance Coalition notes, people with disabilities and their families face significant barriers accessing traditional financial products and services, accumulating assets or savings, financing a home, an education, or a business, or purchasing an accessible vehicle. In addition to the challenges faced by individuals, the institutions that serve the diverse needs of people with disabilities and their families have a difficult time securing the capital needed to develop, renovate, and maintain affordable housing, community facilities, and workspaces.

- Increasing the rigor and weighting of the Community Development Test. The proposed rule's weighting of retail test performance and Community Development Test performance could have unintended consequences of undermining the importance of community development in CRA. As currently structured, community development performance would not affect most large banks' overall CRA rating because retail test performance weighs heavier (60%) than community development performance (40%). The proposed weight of 40% given to community development does not reflect its importance to community reinvestment. This can have devastating consequences on the community development finance ecosystem and the CDFI industry. Like OFN, we recommend rebalancing the retail test performance and community development test performance so each comprises 50% of a bank's rating. This would ensure community development performance is still an integral part of CRA ratings.

- Improving consideration of equity investments in the Community Development Financing Test. Under the new rule, large banks will have a Community Development Financing Test that combine many of the activities previously evaluated as community development lending and community development investments. DreamSpring shares the concern that OFN members have expressed that this combined evaluation of community development loans, investments, and services would likely cause a shift in banks' CRA activities away from more complex, time consuming, yet impactful activities like making equity investments in or grants to CDFIs, in favor of making more community development loans. We also share in the recommendation that banks show a minimum amount of community development finance activity in the form of equity investments to achieve a passing rating.

- The Community Development Financing Test proposes including grant contributions as an impact review factor. DreamSpring, like OFN, urges the agencies to recognize the importance of grant and equity investments in impact review. Grant capital from banks is a critical source of funding for CDFIs, especially community development loan funds (like DreamSpring). Loan funds cannot raise deposits like credit unions or banks. While CDFIs generate retained earnings from interest and fees related to lending activities, often these are not enough to cover expenses and operations. Grant capital from bank partners helps loan funds build their net assets and balance sheets. Equity-equivalent investments (EQ2) are an important source of flexible, enterprise-level funding. EQ2s enable CDFIs to strengthen their capital base, leverage additional debt capital, and increase lending and investing in economically disadvantaged communities. Like OFN, we strongly urge grants and EQ2 investment receive favorable consideration in the impact review.

- Providing additional credit in impact review for CDFI activities. The agencies should also provide multipliers or additional credit for bank activities undertaken with certified CDFIs. We urge the agencies to emphasize and provide more credit for grants, equity investments, and fixed-rate and/or long-term loans that extend beyond banks' exam cycles. In the previous CRA reform NPR released by the OCC in June 2020, banks received double credit for investing in CDFIs. This reform recognized the value of CDFIs and the industry's success in providing credit to low- to moderate-income families and communities. It also provided a clear direction to banks: by supporting mission-based CDFIs, banks are fulfilling the intent of CRA.

- Recognizing the unique role of community development loan funds (like DreamSpring) in community development finance. Community development loan funds (CDLFs) play a pivotal role in community development finance. CDLFs are key partners for mainstream financial institutions – including CDFI banks and credit unions. CDLFs make loans and investments that other entities simply cannot make. Loan funds can be more flexible with their borrowers. CDLFs can also extend "higher risk" loans that banks may avoid due to regulatory or operational constraints, like loans to startup businesses. The entire CDFI industry plays a key role in the community development ecosystem, and the unique role of mission-based loan funds should be specifically acknowledged and recognized in CRA reform.

Thank you for this opportunity to provide comment on the Notice of Proposed Rulemaking to update the Community Reinvestment Act. We deeply appreciate the commitment of the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency to advancing financial inclusion through an enhanced and effective CRA.

Sincerely,
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