



February 16, 2021

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551
Submitted electronically: regs.comments@federalreserve.gov

Re: Advance Notice of Proposed Rulemaking, Community Reinvestment Act Regulations, Docket No. R-1723 and RIN 7100-AF94

Dear Board of Governors:

On behalf of the members of Inclusiv, we respectfully submit the following comment regarding the Federal Reserve's Notice of Proposed Rulemaking, Community Reinvestment Act Regulations, Docket No. R-1723 and RIN 7100-AF94.

Inclusiv is a national association of community development credit unions and a certified CDFI intermediary that raises and deploys capital into credit unions, builds capacity and supports credit unions to grow and serve their communities. Inclusiv has been the longest and most active private secondary capital lender to credit unions. CDFI certified credit unions are joined by minority depository institution (MDI) designated credit unions for a total of 785 institutions. MDI credit unions have combined assets of \$41 billion and serve more than 4 million consumers. There are 350 MDIs that serve predominantly African American communities and 172 that serve Hispanic American communities. Furthermore, there are 112 financial cooperatives operating in Puerto Rico with combined assets of \$10.2 billion and serving 1.1 million consumers.

Inclusiv is pleased to review the suggested approach put forward by the Federal Reserve Board of Governors regarding the Community Reinvestment Act (CRA) – a much more promising and inclusive approach than the one offered by the Office of the Comptroller of the Currency last year. Inclusiv supports recommendations to improve the overall effectiveness of the CRA, specifically in service to increasing the overall amount of lending, services and investment in underserved communities and communities of color. Additionally, Inclusiv recognizes that race and place are deeply intertwined. To this end, we call on the Federal Reserve to direct its legal, regulatory and research expertise towards creating an exam structure that holds banks specifically accountable for comprehensively serving the financial service needs people of color.

One way in which the Federal Reserve Board of Governors can accomplish this goal is through the creation of requirements and incentives to increase investment in and partnership with Minority Depository Institutions and Community Development Financial Institutions, specifically those designated as minority lending institutions as defined in the Consolidated Appropriations Act of 2021. Additionally, all investments into MDI / CDFI credit unions are not similar in consequence. Equity (grants) and secondary capital advance the mission and increase the capacity of community development credit unions to serve their members more substantially than even below market rate deposits. As such, equity



and secondary capital investments in MDI / CDFI credit unions should be prioritized in the next iteration of the CRA with mechanisms in place to incentivize them meaningfully and accordingly.

The Inclusiv membership and that of its partners fully appreciate the thoughtful consideration of these considerations by the Federal Reserve Board of Governors. We look forward to future discussions on this important issue and opportunities to weigh in more deeply. If you have any questions, please contact myself (cmahon@inclusiv.org) or Jules Epstein-Hebert (jhebert@inclusiv.org).

Sincerely,

A handwritten signature in black ink, appearing to read "Cathleen A. Mahon". The signature is fluid and cursive, with a long horizontal stroke at the end.

Cathleen A. Mahon
President and CEO