African American Alliance of CDFI CEOs

August 19, 2025

RE: Joint Proposal to Rescind 2023 Community Reinvestment Act Final Rule

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The African American Alliance of CDFI CEOs (the Alliance) is a national coalition of 87 Black-led Community Development Financial Institutions (CDFIs). Together, our members are committed to fostering economic stability, expanding access to credit, and building lasting wealth in Black communities. Every day, they work on the frontlines to fill the persistent capital gaps left by mainstream financial institutions, providing affordable loans and financial services where others have often fallen short.

Our mission is to build pathways to economic stability and wealth for Black individuals, families, and communities while pushing the financial sector to operate more equitably. The Community Reinvestment Act (CRA) has long been a central part of that mission, serving as one of the few tools in federal banking law that directs private capital to underserved places.

We submit this public comment in response to the federal banking agencies' proposal to rescind the October 2023 CRA Final Rule and revert to the 1995 regulatory framework. The Alliance welcomes the opportunity to weigh in, given the far-reaching implications for how banks reinvest in communities of color.

Our perspective is rooted in the lived realities of our members. Black-led CDFIs see daily how disinvestment and redlining continue to shape financial outcomes for the communities we serve – and how a stronger, modernized CRA could change that trajectory. For that reason, we must express our deep disappointment in the decision to roll back the 2023 reforms. At the same time, we remain committed to offering pragmatic recommendations for how the 1995 framework can be updated and interpreted to preserve the most meaningful advances of the 2023 rule.

Our goal is to ensure that CRA continues to evolve, even within the constraints of the older framework, so that it better serves CDFIs, minority-serving institutions, and the Black communities – many of which still face some of the deepest capital gaps in the country.

I. Rescission of the 2023 CRA Final Rule

The Alliance is profoundly dissatisfied with the decision to rescind the 2023 CRA Final Rule - the first major update to CRA regulations in more than 30 years. That rule was the product of years of research, public input, and interagency collaboration. It recognized the need for CRA to evolve alongside modern banking practices. Communities had waited decades for these reforms, and the 2023 rule reflected a rare consensus among regulators, advocates, and many banks that the 1995 framework was no longer adequate.

The 2023 rule closed critical gaps in the outdated framework. It modernized how banks define assessment areas, ensuring online and nationwide lending—now the dominant mode of credit delivery—would finally be counted. It expanded data reporting to show with greater precision who is being served and who is being left behind. It introduced clearer performance metrics to make CRA evaluations more consistent across institutions and less subjective. It broadened the definition of community development to include investments in Native Land Areas, climate resilience projects for low- and moderate-income (LMI) communities, and Special Purpose Credit Programs (SPCPs) designed for historically disadvantaged borrowers. These reforms were not perfect, but they were meaningful. More importantly, they acknowledged the role of CDFIs in addressing credit and capital gaps.

Taken together, these changes pushed more capital into places left behind for generations while holding banks to higher, more transparent standards. They provided long-overdue clarity about which activities qualify for CRA credit, making it easier for banks to support priorities such as preserving affordable housing, preventing displacement, and preparing neighborhoods for climate impacts. For Black communities, this clarity mattered. Too often, banks have opted the “safest” CRA activities that check the box but do little to address structural inequities. The 2023 reforms created new pathways for investments with real potential for impact.

Rolling them back undermines those goals. It signals to LMI neighborhoods and communities of color that the federal commitment to fighting redlining and disinvestment is being paused. It also risks sending banks the message that the status quo is sufficient - even as decades of evidence show persistent gaps in credit and capital access.

We acknowledge that the agencies have explained the rescission as a way to “restore certainty” during litigation and reduce compliance burden on banks. From our vantage point, however, the practical effect is clear: the costs will fall on the very communities CRA was designed to serve. Without stronger rules, capital will continue bypassing neighborhoods where Black families and small businesses struggle to build wealth.

We also acknowledge the political and legal reality that the 1995 CRA regulations remain in place. But those rules were written for an era when community banking meant local branches and paper applications, not online lending and national platforms. They were never designed to address the racial wealth divide that persists today. Given that reality, our focus now shifts to improving and interpreting the current framework in ways that maximize its impact for under-resourced communities, particularly those served by Black-led CDFIs.

II. Moving Forward Under the 1995 CRA Framework

With the likely reinstatement of the 1995 CRA rules, the Alliance believes the focus must shift from what has been lost to what can still be gained. While the rescission removes full modernization from the table for now, regulators are not powerless. The Federal Reserve, FDIC, and OCC have clear authority - through supervisory guidance, the Interagency Questions & Answers (Q&As), and examiner instructions - to preserve many of the most impactful elements of the 2023 reform without reopening the entire rulemaking process.

The 1995 rule was crafted for a very different banking era. Simply reverting without adaptation would mean operating with an antiquated system. The challenge now is to use the tools available to make the 1995 rule more relevant to today's realities.

The Alliance recommends several high-impact adjustments that can be adopted quickly and deliver tangible benefits to CDFIs, Minority Depository Institutions (MDIs), and the Black communities our members serve:

- **Clarifying which activities qualify for CRA credit.** Ambiguity in the current framework discourages banks from pursuing innovative or targeted partnerships that could make a difference in underserved communities. Clearer guidance can unlock more investment.
- **Ensuring investments outside traditional assessment areas are recognized.** As bank branch networks shrink, many Black and rural communities fall outside of defined footprints. Guidance should make it explicit that high-impact activities in these areas still count toward CRA obligations.
- **Encouraging banks to provide the types of capital that create lasting impact.** Short-term loans and small donations help, but they do not build institutional strength. Patient capital, equity, and secondary capital placements in CDFIs and MDIs do.

These ideas – many embedded in the 2023 Final Rule or strongly supported during its comment process – are common-sense improvements, supported by evidence and by decades of experience from community development practitioners. They should not be discarded simply because the broader rule has been rescinded.

By acting now, regulators can uphold the spirit of CRA modernization and continue advancing equitable reinvestment, even under the 1995 framework. The recommendations outlined below reflect the "best of" the 2023 reforms that are most critical for channeling resources to low- and moderate-income and minority communities. They are practical, achievable, and urgently needed. Every year without these adjustments is another year in which Black communities and underserved areas miss out on the investments CRA was designed to deliver.

III. Recommendations for Strengthening CRA Under the 1995 Framework

The Alliance believes there are concrete steps regulators can take right now to ensure the 1995 CRA framework better serves low-income communities and communities of color. None require congressional action; all fall squarely within the agencies' existing authority. By clarifying guidance and adjusting examiner expectations, the Federal Reserve, FDIC, and OCC can carry forward some of the most important gains from the 2023 reform and ensure CRA remains a tool that drives meaningful reinvestment.

1. Make all activities with certified CDFIs and MDIs explicitly CRA-eligible

Banks should not face uncertainty about whether support for certified CDFIs or Minority Depository Institutions (MDIs) will count toward their CRA performance. While many such activities already qualify today, application is uneven and often depends on examiner discretion. That ambiguity discourages banks from making the deeper, more sustained commitments that are most valuable to communities.

Regulators should affirm —clearly and without caveats—that all loans, investments, deposits, grants, and services with certified CDFIs or MDIs are CRA-eligible. This is especially important for Black-led CDFIs and MDIs, which play a unique role in reaching borrowers who remain excluded from mainstream finance.

The 2023 proposed rule identified CDFI partnerships as an "impact review factor" that could strengthen a bank's rating. Even without that rule, regulators can uphold the same principle by making CDFI and MDI partnerships a prominent, positively weighted factor in CRA exams.

2. Give CRA credit for CDFI partnerships outside traditional assessment areas

The CRA's assessment-area construct was designed for an era of brand-based banking. But today, many communities—especially Black and rural communities—fall outside those footprints. Since 2010, the number of bank branches in majority-Black neighborhoods has declined by nearly 15%, while other areas have seen little change. In parts of the rural South and other underbanked regions, entire counties function as banking deserts.

Under current rules, community development activities in a "broader statewide or regional area" that includes a bank's footprint can be considered, and even beyond in some circumstances. But examiners often interpret these provisions narrowly, leading banks to hesitate before investing outside their traditional areas.

The Q&As should be updated to remove that uncertainty. Any activity with a certified CDFI or MDI that demonstrably benefits low-income or underserved communities should receive CRA credit, regardless of geography. This would align CRA with the 2023 rule's emphasis on impact over geography and reward banks for directing resources to places with the greatest need. It would also prevent communities from being excluded simply because they lie outside legacy assessment areas.

3. Encourage equity investments and long-term capital in Black-led CDFIs

The type of capital banks provide matters just as much as the amount. Long-term, patient capital, such as equity-equivalent loans (EQ2s), capital grants, or secondary capital placements, can transform CDFIs. It strengthens their balance sheets, improves their sustainability, and allows them to multiply their lending capacity in high-need communities.

Too often, banks fulfill their CRA obligations through safer, short-term activities like small donations or one-year loans. While useful, these do not fundamentally change the ability of CDFIs to meet demand. What CDFIs need most is capital that gives them breathing room to grow.

Regulators can help shift incentives by making it explicit in Q&A guidance that providing EQ2 loans, making secondary capital investments in Black-led credit unions, or contributing long-term equity to CDFIs qualifies as "innovative" or "complex" activity worthy of favorable CRA consideration. By naming these forms of capital directly, the agencies would steer banks toward the kinds of financing that build lasting community wealth, rather than check-the-box compliance.

4. Update Q&As to reflect emerging community development needs

Finally, the CRA framework should evolve to reflect today's most pressing community challenges. The 2023 final rule rightly expanded the list of eligible activities to include disaster preparedness, climate resilience, and health and digital inclusion for low-income households. Even though the rule has been rescinded, those priorities remain urgent and should be preserved through updated Q&As.

For example, regulators should confirm that financing flood mitigation in low-income neighborhoods, supporting community solar projects tied to affordable housing, or rehabilitating Naturally Occurring Affordable Housing (NOAH) to preserve affordability all qualify as CRA community development. Preserving existing affordable housing stock is just as critical as building new units, and resilience investments are increasingly essential for families facing climate risks.

Guidance should also cover investments that expand health, education, and digital access for low-income households - investments that directly improve quality of life and economic opportunity.

5. Strengthen transparency and accountability in CRA performance

One reason CRA ratings remain inflated, where over 98% of banks pass with "Satisfactory" or better, is the lack of meaningful, public-facing data. LMI mortgage lending has declined sharply in recent years, and FHA lending—historically a major channel for first-time and minority buyers—has retreated. Yet these gaps are masked by an exam system that still hands out top marks.

Regulators should require banks to annually disclose detailed, public data on community development loans and investments. Communities need to see whether dollars are actually flowing where they are most needed, not just rely on summary exam ratings. This transparency would also help regulators better target enforcement and create accountability that communities themselves can track.

6. Prevent abuse of strategic plans

Finally, regulators should close loopholes that allow banks to use "strategic plans" as a way to lower expectations. Some banks have used this option to lock in weaker obligations and sidestep full accountability. The 2023 rule improved this process by expanding public input and strengthening the review of strategic plans. Those improvements should not be lost. Even under the 1995 framework, agencies can issue guidance to ensure that strategic plans reflect meaningful commitments and genuine community needs.

IV. Why These Changes Matter

The need for CRA modernization is not theoretical. The evidence is clear:

1. The racial wealth gap remains staggering.
Median Black family wealth is still less than one-tenth that of white families. In 2016, Black median family wealth was about $13,000, compared to nearly $150,000 for white families. Much of this gap comes down to homeownership: only about 42% of Black households own homes, compared to roughly 73% of white households, a divide virtually unchanged for decades. And when Black families do apply for mortgages, their denial rates remain nearly double those of white applicants. By retirement, the cumulative effect is enormous with the average Black American having accumulated roughly $1.1 million less in wealth than the average white American. CRA was created to counteract this exclusion, and any rollback must be judged against that backdrop. Weakening CRA enforcement risks ensuring these inequities are handed down to another generation.

2. CRA pass rates mask persistent underinvestment.
Under the 1995-era CRA framework, more than 98% of banks earn "Satisfactory" or better. On paper, nearly everyone passes. In practice, the lived experience in Black and low-income communities tells a very different story. Mortgage lending to LMI borrowers has declined sharply in recent years, and FHA lending—a traditional pathway for first-time and minority homebuyers—has decreased. If banks can earn top marks while major sources of LMI credit dry up, it shows that the test is failing to measure what matters. Without stronger performance expectations, CRA risks becoming a hollow compliance exercise. Essentially, it becomes an exam that rewards box-checking instead of real reinvestment.

2a. Assessment areas must reflect today's banking reality.
Branch networks are shrinking, especially in majority-Black neighborhoods, where branch closures have been steepest. At the same time, online lending has become a dominant mode of delivering credit. CRA cannot continue to evaluate banks solely on legacy branch footprints while ignoring where the lending actually occurs. Without modernized assessment areas, large urban neighborhoods with high concentrations of borrowers of color and rural regions with no bank presence will continue to be overlooked.

3. Banks are not reaching communities of color without stronger incentives.
Even today, mainstream banks devote a lower share of their mortgage lending to borrowers and neighborhoods of color than non-bank lenders, which are not even subject to CRA. This runs directly counter to CRA's original intent. Without explicit incentives, banks will continue to underserve these communities. Giving CRA credit for partnerships with CDFIs and MDIs is a direct way to close this gap, leveraging mission-driven lenders that already have the trust and track record to reach underserved markets.

4. CDFIs and MDIs remain underutilized.
CDFIs and MDIs have proven themselves as effective vehicles for reaching borrowers that banks often overlook, like Black small-business owners, first-time homebuyers, and families in underbanked regions. Yet banks frequently default to easier CRA activities they perceive to be lower risk, like purchasing municipal bonds or making short-term loans, rather than investing in CDFIs. As a result, these institutions remain capital-constrained and unable to meet full community demand. Greater CRA

recognition for equity, secondary capital, and other long-term support would allow CDFIs and MDIs, especially Black-led ones, to scale their reach and direct capital to the hardest-hit communities.

5. Climate resilience is urgent.
The agencies' own review for the 2023 rule projected that updated performance tests would boost lending to LMI borrowers and that expanding community development categories would channel investment into urgent needs like climate resilience. In 2023 alone, the U.S. experienced 28 separate billion-dollar climate disasters, many of which disproportionately affected low-income and minority communities. The evidence also showed that stronger CRA exams correlate with more lending in underserved areas. These insights remain valid even if the rule itself is rescinded. They should inform how the 1995 framework is interpreted and applied going forward.

6. Transparency and accountability are critical.
The 2023 rule required annual public reporting of community development loans and investments. That transparency would have allowed regulators, advocates, and communities to see not just whether banks "passed," but how they were actually directing capital. Without such reporting, communities are left in the dark, and regulators have fewer tools to ensure accountability. Carrying forward the spirit of this requirement is critical to making CRA credible.

7. Strategic Plans must not become a loophole.
Some banks have gamed CRA by opting into Strategic Plans that lock in modest goals with limited community input. The 2023 rule strengthened this process by requiring greater transparency and more meaningful public participation. That safeguard should not be lost. Regulators should ensure Strategic Plans remain tools for accountability, and ways around responsibility.

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While we may fundamentally disagree with the decision to rescind the 2023 Final Rule, the Alliance remains committed to working with the current framework to advance CRA's core goals. The recommendations we outline provide a clear, practical roadmap for regulators to act now - using their existing authority - to strengthen CRA implementation.

By refining the 1995 rule through updated guidance and focusing on high-impact activities, the agencies can ensure CRA continues moving toward greater relevance, accountability, and fairness. We urge you to adopt these steps and, in doing so, send a clear signal that community reinvestment and racial equity remain top priorities.

The Alliance and its member CDFIs stand ready to collaborate with regulators and banks to achieve these goals. Many banks have made public commitments to advancing racial equity in the wake of our nation's reckoning with systemic racism. Aligning CRA credit with those commitments is both logical and necessary. It ensures that promises translate into measurable outcomes for the communities that have been excluded for far too long.

The CRA has always been a powerful tool to channel private capital into public good - but only if it keeps pace with change. The stakes for underserved groups, particularly Black communities, are too high for CRA to remain stuck in the past. By carrying forward the strongest elements of the 2023 reforms, the agencies can ensure that CRA continues to fulfill its promise of driving inclusive and equitable investment in every community.

Thank you for considering our perspective and proposals. The Alliance looks forward to continued dialogue and concrete action to ensure that CRA delivers on its original mission and meets the needs of today's communities.

Sincerely,

Lenwood V. Long, Sr., CEO
African American Alliance of CDFI CEOs