IL CRA COALITION

October __, 2026

Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Office of the Comptroller of the Currency
400 7th Street SW
Washington, DC 20219

RE: Community Reinvestment Act Regulations
- FDIC: RIN 3064-AG31
- OCC: Docket ID OCC-2026-0694

To the Federal Deposit Insurance Corporation and Office of Comptroller of the Currency:

Thank you for this opportunity to comment on the proposed amendments to the implementing regulations for the Community Reinvestment Act of 1977 issued in the joint Notice of Proposed Rulemaking (NPR).

Introduction

The undersigned organizations are part of the Illinois CRA Coalition, a group dedicated to protecting and strengthening the federal Community Reinvestment Act (CRA) as a tool for community development. We believe that the proposed rules fail to conform to the legislative intent of the CRA and also fail to fulfill the agencies' stated justifications for updating the implementing regulations.

As indicated in the NPR, the FDIC and the OCC have proposed changes to the CRA to supposedly reduce regulatory burden, improve clarity, and better align with the statute. With respect to both improving clarity and reducing regulatory burden, the absence of the Federal Reserve Board of Governors from the NPR will serve to only increase the lack of clarity and increase burden on stakeholders if the rules are implemented as proposed. Creating two distinct regulatory frameworks for the CRA would establish different standards governing how financial institutions meet their CRA obligations in the communities they serve and make community oversight, an integral part of CRA enforcement, more difficult.

With respect to the statutory alignment, as noted by the agencies in the NPR, the CRA was enacted because financial institutions have a "continuing and affirmative obligation" to meet the credit needs of the communities where they operate. The law then placed a requirement on the Federal financial supervisory agencies to examine those financial institutions. These two provisions place responsibility for implementing and enforcing the CRA on regulated financial institutions and their supervising agencies. These proposed regulations, as noted multiple times by the agencies, seek to reduce that burden, but disregard the potential impact on the communities the CRA is intended to support.

In the NPR, the agencies are quite clear on the positive impact these rule changes will have on regulated financial institutions and identify the areas in which administrative burdens and compliance costs are expected to decrease. However, as noted above, the purpose of the CRA is to ensure that financial institutions serve the needs of the communities where they do business, and the NPR does not include the same clarity on how the rules will impact those communities. Throughout the NPR, the agencies point to supervisory experience to justify their proposed changes, but fail to cite supporting evidence. The Economic Analysis sections include express language acknowledging that neither the OCC nor the FDIC can determine the direction or the magnitude of the impact that the proposed changes will have on "LMI communities, small business, small farms, nonprofit organizations, and other community development stakeholders," essentially all of the stakeholders the CRA was enacted to benefit. Given this lack of clarity and understanding, we strongly urge the agencies to delay any changes to the CRA until they can conduct a thorough analysis of the potential impacts of the proposed changes on the communities the CRA is intended to serve. Only then could the agencies accurately assess whether the proposed rules would in fact align with the intent of the statute.

The remainder of this letter will focus on three broad areas within the reform proposal that further demonstrate the proposal's lack of alignment with the purpose and intent of the CRA: (1) changes to entity size thresholds; (2) impacts on community development activity; and (3) impacts on state CRA frameworks and the Illinois Community Reinvestment Act.

Changes to Entity Size Thresholds

Under the CRA, larger banks get more extensive exams that come with higher standards for community development activity in particular. Large banks (currently at least $1.6 billion in assets) are examined on both their community development lending and community development investments, while intermediate small banks (currently between $416 million and $1.6 billion in assets) are evaluated under a general community development test that combines lending and investment activity. Size thresholds are adjusted modestly each year to account for inflation.

The proposed rule would make drastic changes to the size thresholds that would disrupt the community development activity that communities across the country have come to rely on from large and intermediate banks. Raising the large bank threshold to over $10 billion in assets and the medium (aka intermediate) bank threshold to over $1 billion in assets, as proposed by the OCC and FDIC, would have grave consequences for Illinois communities. Illinois is currently served by 171 banks that fall in the intermediate or large categories, triggering community development obligations. Should this proposed rule go into effect, 68 of those banks, or 39.8% of them, will be bumped down to the small category and will lose their community development obligations. Out of the 81 banks currently classified as large banks in Illinois, 50 of them would drop down to medium and see their community development requirements severely lightened. Banks moving down a size category are disproportionately located in rural areas of Illinois, meaning that rural communities will lose access to a crucial tool for holding banks accountable to serving unique local needs.

Community development investment and lending activities include a wide range of financial supports. Investments in nonprofit lenders like community development financial institutions (CDFIs) can provide affordable mortgage loans to LMI borrowers, provide a key piece of financing for an affordable housing development, or provide affordable credit products to the small businesses that fuel local economies. Banks often get CRA credit for investing in developments that utilize Low Income Housing Tax Credit (LIHTC) or New Markets Tax Credit (NMTC) funding, or for purchasing municipal bonds that support affordable housing programs. Banks also get CRA credit for offering grants to nonprofits that provide financial education programming to communities to help families budget, save, and build wealth. At an even more detailed level, the community development tests under the CRA reward banks for innovative activities that are especially responsive to unique, local community needs.

All of those activities are essential to building thriving communities that empower low- and moderate-income consumers to prosper. This proposed rule drastically lowers the bar for what banks must do to make that happen.

Further, only large banks must report data on their small business lending activity under the CRA. Data on small business lending is thin already, section 1071 of the Dodd-Frank Act has yet to be implemented, which means informed policymaking is made all the more difficult by a lack of publicly available small business lending data. The small business lending data that banks report under the CRA, while not nearly as detailed as Home Mortgage Disclosure Act (HMDA) data or the data that would be collected under Section 1071, is the best that we currently have access to. The change in threshold defining large banks mean that we would lose the data reported by the 50 large banks operating in Illinois that would drop into the medium size category, leaving only 31 large OCC- and FDIC-regulated banks that are obligated to report this crucial data. It furthers CRA's purpose and is in the general public interest to know exactly how many dollars are being used for small business lending, how effectively certain banks are using their dollars to invest in the communities they serve, and which communities are in need of more small business investment. Effective policymaking is informed by comprehensive data. Not collecting data does not mean that the realities reflected by the data cease to exist.

Impacts on Community Development Activity

In addition to reducing the number of banks subject to community development requirements, as discussed above, the NPR includes proposals to reduce the importance of community development activities in the CRA exam process, change how community development activities are considered, and restrict eligibility for community development grants, all of which create incentives for financial institutions to reduce the resources they direct to local communities. Specifically, the FDIC and OCC propose to remove the requirement that intermediate banks receive at least a "satisfactory" rating on both their lending and community development tests to receive an overall rating of "satisfactory." As discussed in greater detail below, the NPR also establishes minimum standards for community development activity that are substantially below the current levels of activity performed by financial institutions. Taken together, these changes would reduce both the incentives for financial institutions to engage in community development and the resources available to organizations and communities that rely on CRA activity. The following sections illustrate these impacts through the proposed changes affecting CDFIs, community development grants, and community development performance expectations.

Impact on CDFIs

Since the inception of the CDFI designation in 1994, these institutions have played a pivotal role in helping banks fulfill the intent of the CRA, to eradicate redlining and ensure that banks were investing equitably in all the communities that they serve. According to analysis by the CDFI Coalition, banks provide $15–$25 billion to CDFIs annually in loans, deposits, and equity-equivalent investment[1]. This sizeable investment is not made out of charity but is driven, in large part, by the CRA and the proven efficacy of these institutions in doing something that these financial institutions have long struggled with, driving capital into the historically underserved communities that are hardest for traditional financial institutions to reach within their assessment areas. CDFIs are experts in turning these bank dollars into catalysts for the creation of small businesses, affordable housing, cornerstone community facilities like schools, healthcare centers, and cultural museums, grocery stores, and farms, to name a few examples, typically in areas where these projects often mark major community milestones.

The work of CDFIs has been particularly impactful in Illinois. From 2005 to 2021, CDFIs poured over $4.52 billion into undercapitalized Illinois neighborhoods, which created almost 100,000 jobs, developed over 60,100 affordable homes, and supported nearly 12,000 small and micro businesses statewide. In that same timeframe, the need for CDFIs has continued to grow with lending increasing annually by an average of 25%. But all of this progress is threatened to be upended by this proposed rule. The proposed changes to CRA asset thresholds, restrictions on bank grantmaking activity, and the devaluation of the community development test, among many other critical components, all create a chilling environment for bank investment in historically marginalized neighborhoods.

CDFI activity, through both technical assistance and lending, is a lynchpin for community stabilization and revitalization. Through their ability to leverage $8 in private sector investment for every $1 they receive in public funding, CDFIs are sought-after partners for community development initiatives at the state, local, and federal levels. Loosening the obligation that banks have to partner with CDFIs not only reduces the dollars that flow to economically depressed communities and undermines the intent of the CRA, but it also diminishes the leverage ratio that is critical to making government programs work, including the New Markets Tax Credit and the Opportunity Zones programs that were made permanent this year by this administration. It also harms competitiveness for other programs like the Capital Magnet Fund which require a set level of public and private sector partnership. All of which serves to disrupt stated goals by President Trump to spur economic mobility and affordable housing supply growth. It also creates unnecessary uncertainty in a regulatory environment that is in need of greater stability to thrive.

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[1] https://cdfi.org/wp-content/uploads/2026/03/khic22.pdf

Community Development Grants and Donations

In the NPR, the agencies propose two new restrictions on the CRA eligibility of community development grants and donations: first, that grants made by regulated financial institutions are "directly used by the recipient for a program, project, or initiative with a primary purpose of community development," and second, for large banks, that they ensure that no more than 15 percent of a grant or donation goes to a recipient's indirect or administrative costs.

These proposals fundamentally misunderstand the role that nonprofit organizations play to support community development initiatives and act as critical partners for banks in their efforts to meet their community needs and CRA goals. The current standard, which makes grants and donations eligible for CRA consideration when the receiving nonprofit organization and its activities have a primary purpose of community development, already ensures that resources are directed to organizations serving underserved communities, especially LMI individuals and households, small businesses, and small farms. Nonprofit organizations also have their own incentives to ensure they are responsible stewards of all funds received, including programmatic and financial reporting requirements.

The agencies express concern about alleged "rent extraction," through the diversion of funds from local communities, and the allocation of resources to "middlemen," although they fail to provide any supporting data for these allegations. Nonprofit organizations with a mission of community development are focused on building the economic resources of the communities they serve, not pulling resources from those communities for profit. In contrast to the agencies' characterization, nonprofits, including organizations that do not provide direct services, are members of the communities they serve, as are their staff. While the agencies express an interest in directing funds away from "middlemen," the organizations that would fit this description are offering services and playing a role in the community that the financial institutions do not, including CDFIs as described above. Their role as so-called "middlemen" between financial institutions and LMI communities, small business, small farms, and other nonprofit organizations is not extractive, it is a critical piece of the puzzle in deploying CRA eligible funds. So-called "indirect service" nonprofits not only pass funds through to direct service organizations, but also administer programs to build the capacity of direct service organizations and provide administrative support for resource development, program compliance, and technical assistance, all of which reduces downstream costs.

Although the NPR focuses heavily on reducing regulatory burden for financial institutions, these changes would actually increase reporting burdens for them, as well as on nonprofits that serve the communities the CRA was enacted to benefit. In the end, fewer resources will reach underserved communities, undermining a key purpose of the CRA.

The increased restrictions and regulatory burden associated with these proposed changes would shift CRA activity away from community development grants, reducing a critical source of flexible funding for community development nonprofits. This would directly reduce the resources reaching local communities and could destabilize organizations that provide both direct and support services. It would also undermine the effectiveness of other funding sources by limiting nonprofits' ability to maintain the organizational infrastructure necessary to deploy those resources effectively. The FDIC and OCC acknowledge this possibility in their Economic

Analysis but do not give it proper weight. Given the likely impact of these changes and the lack of analysis conducted by the agencies regarding their effects on communities and nonprofit organizations, we urge the agencies to retain the current eligibility standards for community development grants and donations.

Community Development Performance Expectations

This proposed rule would also lower expectations for Satisfactory performance for the large banks that will still be obligated to provide full scope community development lending and investment under the FDIC's and OCC's version of the CRA. Currently, banks can get CRA consideration for community development activities that do not fit neatly within their assessment areas. This proposed rule maintains that practice and formalizes standards for how much banks must do within their assessment areas before the regulators will consider their activity outside those assessment areas – implicitly establishing a presumptive Satisfactory level for inside assessment area activity. Under the proposed rule, a large bank would need to invest only 0.625% of Tier 1 capital in community development grants and investments and 0.625% in community development lending to avoid a failing rating.

There is ample evidence that the percentages of Tier 1 capital that the proposed rule uses to set that presumptive Satisfactory level are too low – they are well below current average performance for banks and they are lower than the percentages that the OCC used for their recent rulemaking regarding strategic plans (which were also too low). Even the OCC's proposed rule on a "Simplified Strategic Plan Process for Community Banks," that set sample "elective goals" for banks considering CRA strategic plans did not set the benchmarks as low as this proposed rule. The strategic plan proposal stated that 3% of Tier 1 capital invested in community development lending would be an appropriate Satisfactory goal for a larger bank. According to analysis by the National Community Reinvestment Coalition (NCRC) of the 69 largest banks regulated by the OCC and FDIC, the median amount of Tier 1 capital dedicated to community development lending was 6.83%; for community development grants and investments, the median was 3.58%. Setting a minimum threshold, especially one so far below the current norm, will inevitably result in a race to the bottom among banks, stripping communities of these essential investments.

Impacts on State CRA Frameworks and the Illinois CRA

In recent years, states across the country have enacted state level CRAs. These regulatory frameworks are designed to supplement the federal CRA without adding undue burden to financial institutions. The Illinois CRA, for example, was written to align with the federal rules where possible, specifically, through alignment of the entity size thresholds and consistency in the scope and intent of the performance tests. By holding other major players in the mortgage lending industry, such as nonbank mortgage companies, to similar standards as banks, the Illinois CRA and other states' CRAs even benefit banks by leveling the regulatory playing field. Lack of alignment among the federal banking regulators and movement away from the purpose of the CRA, which create their own concerns as discussed above, will have downstream effects with state regulations, including the Illinois CRA, creating further confusion and increased regulatory burden for communities and covered financial institutions.

This confusion is compounded by the absence of the Federal Reserve Board of Governors from the NPR, which will extend to the Illinois CRA. Under the current Illinois CRA framework, the state's entity-size thresholds align with the federal standards, meaning that an institution's classification under the Illinois CRA will correspond with its classification under the applicable federal regulatory framework. As a result, if the proposals in the NPR are implemented, similarly situated state-chartered banks will face different regulatory standards depending on which federal regulator supervises the institution. However, if Illinois updates its rule to establish a single entity-size standard while the federal regulators maintain different thresholds, financial institutions could be categorized differently under state and federal law. This would increase regulatory burden as financial institutions monitor and respond to two separate standards and could create further confusion for other CRA stakeholders. Banks are already being examined under the Illinois CRA, and other states, like Massachusetts, have had state CRAs in place for decades. This NPR would throw these state laws into disarray.

Similarly, the changes proposed in the NPR to the performance tests, specifically as they relate to community development, depart significantly from the purpose of the CRA such that they would no longer align with performance tests under the Illinois CRA. This again will increase the regulatory burden by creating two standards for what activities are CRA eligible, increasing the costs for financial institutions and making CRA engagement more difficult for local communities.

While the agencies are not directly responsible for state regulatory frameworks, they should be aware of the increased burden and reduced clarity their proposed changes will create given the lack of consistency among the federal banking regulators and their movement away from the language and intent of the CRA. Based on these likely outcomes, we urge the agencies to retain the current entity size thresholds and performance tests.

Conclusion

Thank you again for the opportunity to comment on this rulemaking. Based on the issues presented above, we ask that the agencies rescind the NPR and refrain from moving forward with any changes to the CRA at this time. The changes proposed by the FDIC and OCC are not in alignment with the statutory language or the legislative intent of the CRA and do not satisfy the justifications identified by the agencies for the rulemaking. We believe all three federal banking agencies must be aligned, and these two agencies should not move forward with changes that increase uncertainty and burden for community stakeholders without first conducting the necessary review and analysis to understand their potential impacts, particularly when the proposed changes have not been demonstrated to advance the CRA's statutory purpose.

Sincerely,

Housing Action Illinois

Woodstock Institute