



October 13, 2026

Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency
400 7th Street SW, Suite 1E-216
Washington, DC 20219

Jennifer M. Jones
Deputy Executive Secretary
Attention: Comments - RIN 3064-AG31
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Re: Community Reinvestment Act Regulations, 91 Fed. Reg. 52114 (Aug. 12, 2026); OCC Docket ID OCC-2026-0694; OCC RIN 1557-AF57; FDIC RIN 3064-AG31

To Whom It May Concern:

I. Introduction and Scope of Comments

The Community Opportunity Alliance (COA) appreciates the opportunity to comment on the Office of the Comptroller of the Currency's and Federal Deposit Insurance Corporation's proposed amendments to the Community Reinvestment Act (CRA) regulations. The proposal would make significant changes to how banks are categorized and evaluated, how community development activities receive CRA consideration, how grants are treated, and how banks' geographic responsibilities are defined.

COA is a national field builder for community development. Through our network of state and regional associations, we support a field of almost 6,000 community development organizations (CDOs) working in urban, rural, and suburban communities across the country. These organizations develop and preserve affordable housing, support small businesses and economic opportunity, provide essential community services, strengthen neighborhoods, and help residents shape the futures of their communities.

COA's role is not simply to represent those organizations in Washington. We work to strengthen the infrastructure of the community development field itself. We build the capacity of state and regional networks; connect leaders and organizations across markets; develop and spread effective practices; conduct research and build knowledge about the field; convene practitioners, funders, financial institutions, and policymakers; and help ensure that local CDOs have the relationships, resources, and voice they need to succeed. In that sense, COA is a field builder for a national system of locally rooted organizations.

Our members - state and regional community development associations - occupy a particularly distinctive place in that system. They sit between individual CDOs and the larger institutions that shape community development capital and policy. They connect local organizations to one another and to banks, public agencies, funders, and policymakers; identify needs that may not be visible through lending data alone; strengthen organizations so they are prepared to deploy capital effectively; and help successful approaches spread from one community to another.

This network and field-building perspective is particularly important to understanding CRA. State and regional associations convene practitioners, provide training and technical assistance, coordinate research, policy, and data work, connect smaller and rural organizations to resources, and build relationships between banks and community partners. COA (formerly NACEDA) has made this point in prior CRA proceedings: investments in these networks are themselves investments in community development capacity.

Put together, these organizations form an ecosystem. Local CDOs turn capital into housing, businesses, services, and stronger neighborhoods; state and regional associations build their capacity and connect them to resources and institutions; and COA strengthens and connects that infrastructure nationally. CRA is one of the most important sources of private-sector partnership and capital within that ecosystem.

This perspective matters in evaluating the proposed rule. CRA does not operate only through individual loans or investments. Its impact also depends on relationships, organizational capacity, local knowledge, technical assistance, and institutions capable of connecting capital with community needs. A rule that recognizes transactions while weakening the organizations and networks that make those transactions possible risks measuring community development too narrowly.

COA therefore approaches CRA modernization from a straightforward starting point: the regulatory framework should strengthen banks' responsibility to understand and respond to identified community needs, with the needs of low- and moderate-income (LMI) people and places at the center. Before asking what activities should count, CRA should preserve the responsibility of banks to know the communities they serve and to respond to their needs.

Our comments are intentionally focused. COA and our members have particular experience with banks' community development responsibilities and with the organizations, partnerships, grants, investments, and services through which those responsibilities are carried out. We focus primarily on community development activities and tests, bank asset thresholds and community development obligations, grants and nonprofit capacity, assessment areas, strategic plans and community engagement, economic and affordable housing development, racial disparities and discriminatory practices, and interagency consistency. We generally defer to organizations with deeper expertise on the technical design of retail lending tests and individual retail product evaluation.

Several parts of the proposal offer opportunities for greater clarity and modernization. COA supports clearer rules where they make CRA easier for banks, regulators, and communities to understand and implement. But simplification should not come at the expense of meaningful community development responsibility. Nor should greater objectivity substitute for community impact, local accountability, or the judgment necessary to distinguish an activity that genuinely meets an identified LMI need from one that merely satisfies a regulatory definition.

This concern is particularly acute in the proposal's treatment of grants. Flexible grants and operating support sustain not only individual CDOs, but also the state and regional associations that provide training, technical assistance, coordination, research, advocacy, and connections across an entire community development ecosystem. A CRA framework that narrowly distinguishes project expenses from organizational infrastructure risks undermining precisely the institutions that help banks identify community needs, develop effective partnerships, and put capital to work successfully.

Accordingly, COA asks the agencies to evaluate the proposed rule against three basic questions: Does it preserve meaningful community development responsibility? Does it direct bank activity toward identified needs of LMI people and places? And does it strengthen, rather than weaken, the community institutions and relationships necessary to turn capital into lasting community benefit?

In developing these comments, COA also asked our members to share examples of how the proposal could affect their organizations, their bank partnerships, and the communities they serve. We include several of those examples below. They are practical examples of how the proposed changes could play out on the ground.

II. Priority Recommendations

COA supports modernization of CRA where it makes the law clearer, more responsive to the way banks operate today, and more effective at directing capital toward identified community needs. But modernization should not reduce meaningful community development responsibility, weaken the institutions that connect capital to communities, or make it easier for banks to receive satisfactory ratings while doing less community development work.

Most importantly, the needs of LMI people and places should remain at the center of CRA community development activity. Modernization can provide greater flexibility and recognize changing markets, but that flexibility should not dilute CRA's focus on communities that face the greatest barriers to credit, investment, services, and opportunity.

Across these recommendations, COA is particularly concerned about the effects of reduced community development responsibility on rural areas, small cities, and other markets where fewer financial institutions are available to provide loans, investments, grants, and services. These communities are often especially dependent on intermediate and regional banks, state and regional community development associations, and locally rooted CDOs to connect them to capital and financial institutions.

1. Preserve meaningful community development responsibilities across bank sizes - and keep those responsibilities centered on LMI needs.

COA recognizes that bank size categories can reasonably change over time. We do not believe every bank should be subject to identical requirements regardless of its size, business model, or capacity. But changes to asset thresholds should not result in large numbers of institutions losing meaningful community development responsibilities.

Those responsibilities should remain clearly focused on meeting the credit and community development needs of LMI people and places. The question is not simply whether a bank engages in some form of community development activity, but whether its loans, investments, grants, services, and partnerships meaningfully address needs that the market does not adequately meet on its own.

The proposal raises concern in two ways. First, the agencies ask whether the intermediate-bank category should extend to institutions with as much as \$30 billion in assets and whether, under that approach, the small-bank threshold should rise as high as \$10 billion. COA does not support thresholds approaching those levels if the consequence is substantially reducing the community development obligations of institutions that have significant market presence and capacity.

Second, the proposal would weaken the importance of the Community Development Test for intermediate banks. Under the current framework, an intermediate small bank must receive at least a Satisfactory rating on both its lending and community development performance to receive an overall Satisfactory rating. The proposal would require a Satisfactory rating only on the Lending Test, explicitly allowing stronger lending performance to compensate for weaker community development performance. COA opposes that change.

Community development lending, investments, grants, services, and partnerships serve purposes that retail lending alone cannot replace. They help finance affordable housing, strengthen small businesses and community institutions, build nonprofit capacity, and address needs in LMI communities that conventional markets frequently do not meet. Those activities should retain independent weight in CRA evaluations.

The potential consequences are particularly serious in rural communities and smaller cities. COA (formerly NACEDA) raised this concern in 2022, noting that intermediate banks often make community development investments and provide services in nonmetropolitan and rural markets where larger financial institutions may have less presence. Reducing those banks' obligations can therefore have effects that are larger than their share of national banking assets might suggest.

CRA requirements can be right-sized. However, right-sizing should not weaken the law's focus on LMI community needs.

2. Protect grants, flexible operating support, and the infrastructure that makes community development possible.

The proposed treatment of community development grants is one of COA's most significant concerns.

The proposal would require qualifying grants to be directly used for a specific community development program, project, or initiative and, for large banks, would generally disqualify grants to recipients whose indirect costs exceed 15 percent. Banks would also have to obtain written commitments, attestations, and supporting documentation from nonprofit recipients. The agencies separately ask whether grants and donations should be eliminated from CRA consideration altogether.

COA strongly opposes eliminating grants from CRA consideration and believes the proposed 15 percent indirect-cost framework is fundamentally inappropriate for CRA.

Community development does not occur only through discrete projects. Strong projects depend on strong organizations, relationships, systems, and networks. General operating support, capacity building, technical assistance, staff development, financial management, technology, research, coalition building, and other forms of organizational infrastructure allow CDOs to develop housing, support small businesses, respond to changing community needs, and become effective long-term partners for financial institutions.

Those investments are especially important in LMI communities, where community-based organizations often must assemble complicated sources of capital and operate in markets where conventional investment is limited. Strengthening the organizations that serve those communities is itself an important part of strengthening their ability to attract and deploy capital.

This is particularly important for COA's members. State and regional community development associations do not typically build one housing development or administer one neighborhood program. Their value lies in strengthening an entire field of organizations. They convene practitioners, provide training and technical assistance, connect smaller and rural CDOs to resources, coordinate policy and data work, spread promising practices, and help banks and other institutions understand local and regional community needs.

A grant supporting this infrastructure should not be treated as less valuable merely because its impact cannot be allocated neatly among individual projects or because the organization has legitimate administrative costs above an arbitrary percentage. Nor should banks be encouraged to impose federal-grant-style cost-allocation and documentation requirements on nonprofit partners as a condition of receiving CRA consideration.

COA therefore urges the agencies to continue recognizing grants, including flexible and general operating support, when they support organizations whose primary mission is qualifying community development and service to LMI people and places. Rather than attempting to determine an organization's community development value through an indirect-cost calculation, the agencies should establish credible standards for identifying mission-based CDOs and other community development organizations with demonstrated purpose, governance, accountability, and history of serving LMI communities.

The rule should recognize the entire community development ecosystem - not simply the transaction at the end of it.

3. Tie CRA consideration to identified community needs and meaningful LMI benefit.

The needs of LMI people and places should remain the central organizing principle for determining the value of community development activity under CRA.

A recurring concern throughout the proposal is the risk that clearer definitions of eligible activities could become substitutes for determining whether an activity actually responds to an LMI or community

development need. COA supports greater clarity. Banks, community organizations, and regulators all benefit from knowing what activities are likely to qualify. But eligibility should be the beginning of the analysis, not the end of it.

As a general principle, CRA consideration should reflect the portion of an activity that actually serves a qualifying community development purpose and benefits LMI people or places. If a project produces only a limited LMI or community development benefit, the fact that it falls within an eligible category should not automatically justify full CRA consideration.

At the same time, the rule should explicitly recognize the role of mission-based CDOs. Where an organization exists for the purpose of serving LMI people and places, is accountable to the communities it serves, and has a demonstrated history of community development activity, that mission and track record should provide strong evidence of primary purpose. CRA should distinguish between incidental LMI benefits attached to otherwise conventional transactions and activities undertaken by organizations whose reason for existing is community development.

This principle should also guide how the agencies evaluate responsiveness. The most important qualitative question should be whether an activity responds to an identified community need, particularly a need affecting LMI people and places. Complexity, novelty, transaction structure, or connection to a bank loan should not be treated as inherently more valuable than a simpler activity that meets an urgent local need.

That distinction matters particularly for grants, equity investments, technical assistance, and services. A flexible operating grant to a trusted CDO, technical assistance that allows a rural organization to undertake its first development, or patient investment in a difficult community project may be highly responsive even though it is not a component of a complicated loan transaction.

The same principle applies to economic development. COA supports clearer and more objective standards for determining eligibility, but objectivity should clarify the connection to community development, not eliminate it. Business size can serve as a useful guardrail, but the more important questions are why CRA-motivated support is needed, how it advances an identified community need, and how LMI people or places will benefit.

CRA should reward meaningful response to community need - not simply the ability to fit an activity inside a regulatory category.

4. Modernize assessment areas so responsibility follows where banks actually do business.

CRA assessment areas should reflect modern banking while preserving accountability to LMI communities.

The traditional branch-based framework increasingly fails to capture where banks conduct significant business. Banks can originate substantial volumes of loans in communities where they maintain little or no physical presence. CRA responsibility should follow that activity.

The agencies ask whether assessment areas should be determined through a quantitative standard based on a substantial portion of lending or through an alternative radius around branches and other facilities. COA favors an approach based primarily on meaningful lending activity. A radius may be administratively simple, but it continues to anchor accountability to physical facilities rather than to where a bank actually conducts business.

Assessment-area modernization should therefore be one of the affirmative accomplishments of a new CRA rule. A bank that does meaningful lending in a community should have meaningful responsibility to that community, including responsibility for understanding and responding to the needs of its LMI residents and neighborhoods.

At the same time, COA supports allowing community development activity outside required assessment areas under appropriate circumstances. Such flexibility can help address one of CRA's persistent challenges: communities that receive insufficient CRA-motivated capital despite significant need. Rural communities, small

cities, Native communities, and other less competitive markets can become CRA deserts, while institutions compete to finance activities in a relatively small number of markets with abundant qualifying opportunities.

Geographic flexibility can help correct that imbalance - but only if it expands responsibility rather than weakening it. Banks should first demonstrate satisfactory community development performance in their required assessment areas. Outside-area activities should then receive consideration when they respond to an identified, significant community need, particularly one affecting LMI people or places.

The goal should be straightforward: modernize where banks are accountable and use flexibility to bring capital to LMI communities and other places that are otherwise being missed.

5. Strengthen community voice, racial accountability, and consequences for discrimination.

CRA works best when banks understand the communities they serve and communities have a meaningful role in identifying their own needs - especially LMI communities that historically have had less influence over where capital flows.

Community engagement should therefore be more than a procedural requirement. Banks should engage CDOs, residents, local governments, and other stakeholders early enough for that engagement to influence strategies, investments, and measurable goals. Publishing a nearly completed plan and accepting comments is not a substitute for meaningful engagement while decisions are being made.

This is particularly important for banks choosing to operate under strategic plans. COA supports the strategic-plan option as a source of flexibility for institutions with different business models, but it should not become an easier route to a Satisfactory CRA rating. Regulators should have clear authority to reject or require revision of plans that do not adequately address identified community needs, including the needs of LMI people and places.

Strong community engagement should also receive affirmative qualitative consideration in CRA examinations. COA (formerly NACEDA) proposed such an approach in 2022 because the process through which banks identify community needs is itself important to effective CRA performance.

CRA modernization must also continue to confront racial disparities in access to credit and investment. COA does not propose an extensive new racial-data framework in these comments. But racial disparities remain an important part of the context in which CRA operates and should not disappear from consideration simply because CRA eligibility is generally structured around income.

The agencies should also ensure meaningful consequences when discriminatory or illegal credit practices are substantiated. COA supports Option 2 in the proposal, which would preserve regulators' ability to consider violations identified through examination reports as well as public enforcement actions and judicial orders. Significant substantiated discrimination should materially affect a bank's CRA rating.

Community voice, an explicit focus on LMI need, and accountability for discrimination are not peripheral to CRA. They are central to determining whether banks are actually meeting the credit needs of the communities they serve.

6. Maintain one coherent interagency CRA framework.

CRA should operate under a coherent national regulatory framework that maintains consistent expectations for serving LMI communities.

The current proposal is being advanced by the OCC and FDIC without the Federal Reserve. COA believes the three banking regulators should administer materially consistent CRA standards and does not believe the OCC and FDIC should finalize a fundamentally different framework unless the Federal Reserve participates or the agencies otherwise reach substantive alignment.

This is not simply a question of regulatory elegance. Fragmented CRA rules create practical costs for the community development field. A CDO seeking financing should not need to determine which regulator supervises a particular bank before it can know what types of investments qualify, what documentation a bank may require, how an activity will be evaluated, or which geographic standards apply. For state and regional associations working with many financial institutions and hundreds of local organizations, those burdens multiply quickly.

Different rules also create the risk of regulatory arbitrage. If materially different CRA obligations attach to banks based on charter and primary federal regulator, banks have an incentive to consider those differences when choosing or changing charters. We do not suggest CRA is the only, or necessarily the principal, factor in a bank's charter decision. But the agencies should not create another reason for similarly situated institutions to shop for the regulator whose CRA rules they prefer.

For COA and its network of state and regional field-building organizations, consistency matters because their work routinely crosses the boundaries of individual banks, regulators, and assessment areas. They build relationships across financial institutions, coordinate statewide and regional strategies, and help local CDOs navigate the capital system. Regulatory fragmentation makes that work harder without producing a corresponding benefit for LMI communities.

COA therefore urges the OCC and FDIC not to finalize a materially different CRA framework unless the Federal Reserve participates or the three agencies otherwise reach substantive alignment. Communities should have one understandable set of expectations for what CRA requires of banks, and similarly situated banks should operate under comparable community development obligations regardless of which federal agency supervises them.

III. Responses to Selected Questions

The recommendations above describe COA's basic approach to the proposal. The responses below apply those principles to the questions where our network has the most direct experience and expertise. We do not attempt to answer every question in the NPR.

Question 1 - Asset thresholds

COA supports reasonable adjustments to asset thresholds over time, but does not support changes that substantially reduce the number of banks with meaningful community development obligations.

The agencies specifically ask whether the intermediate-bank category should extend to institutions below \$30 billion and whether, under that approach, the small-bank threshold should rise as high as \$10 billion. COA does not support thresholds approaching those levels.

Our principal concern is not identifying one perfect dollar threshold. It is preserving meaningful community development responsibility. A bank with substantial assets and market presence should retain obligations not only to make retail loans, but also to provide the community development loans, investments, grants, services, and partnerships that help meet needs of LMI people and places.

For that reason, COA also opposes the proposed change to the overall rating framework for intermediate banks. Under the current framework, an intermediate small bank must receive at least a Satisfactory rating on both its Lending Test and Community Development Test to receive an overall Satisfactory rating. The proposal would allow an intermediate bank to receive an overall Satisfactory rating while receiving less than Satisfactory performance on community development. The agencies should retain the current requirement that an intermediate bank demonstrate satisfactory performance on both dimensions.

This issue is particularly important in rural areas and smaller cities, where intermediate banks may be among the most significant financial institutions engaged in local community development. COA (formerly NACEDA)

raised this concern in 2022, emphasizing the importance of intermediate-bank investments and services in nonmetropolitan and rural markets.

That concern is concrete in Ohio. The Ohio Community Development Association reports that 37 banks currently operating in Ohio would move from the large to intermediate bank category under the proposal, thus facing reduced scrutiny on community development investing and retail services.

The Ohio Community Development Association's analysis also shows that the threshold change would fall disproportionately on rural communities. While just 38 percent of Ohio's population lives in rural counties, 55 percent of the banks that would move from the large to intermediate category are headquartered in rural communities. The disparity is even greater when looking at the full branch footprint of impacted banks, which defines the communities in which they have CRA obligations: 58 percent of the branches of impacted banks are located in rural counties. Those figures illustrate why reducing community development responsibilities for intermediate banks can have an outsized impact in rural places.

Questions 9 and 10 - Community development grants and indirect costs

COA strongly opposes eliminating grants and donations from CRA consideration. We also oppose the proposed 15 percent indirect-cost limitation.

The proposal would require qualifying grants to be directly used for a particular community development program, project, or initiative. For large banks, the proposal would additionally require the recipient's indirect costs associated with administering the grant to remain at or below 15 percent and would require attestations and documentation from recipients.

This approach fundamentally misunderstands how effective community development operates.

Grants support more than project expenses. They support the organizations that make projects possible: staff, financial management, technology, fundraising, partnership development, compliance, training, technical assistance, planning, research, and other organizational capacities. These are not incidental to community development. They enable CDOs to develop housing, support businesses, deliver services, attract capital, and respond to emerging community needs.

The proposed indirect-cost framework is also particularly poorly suited to state and regional community development associations. These organizations create value across many CDOs, projects, communities, and bank relationships. Their work may include training dozens of organizations, coordinating statewide policy, connecting rural CDOs to financial institutions, gathering information about community needs, or developing partnerships that eventually lead to individual transactions. Attempting to divide those functions into project and 'overhead' categories does not measure their community development value.

The proposal would also predictably push new administrative burdens onto nonprofit recipients. Even if the formal compliance obligation rests with the bank, banks would need information and documentation from grantees to demonstrate compliance. Smaller CDOs in particular may be asked to create or certify cost-allocation systems that have little connection to whether the grant produces meaningful community benefit.

A COA stakeholder in Southwest Florida, which asked not to be identified, reported that at the same point last year it had received more than \$400,000 in CRA-related bank grants supporting its mission, compared with \$0 this year. The organization develops affordable rental housing for veterans, seniors, and people with disabilities, and reported that it has laid off five staff members as bank grant support has fallen. We do not suggest that the proposed rule is the only cause of that change. But the example shows how quickly a reduction in flexible bank grant support can translate into lost nonprofit capacity and fewer resources for people and communities already facing significant needs.

The Housing and Community Development Network of New Jersey (HCDNNJ) described a different but related concern. HCDNNJ reported that two major bank community agreements totaling \$3 billion have supported

first-time mortgages, housing counseling, LIHTC and other community investments, as well as direct operating support for HCDNNJ and partner organizations. HCDNNJ estimates that the proposed changes could put at least \$1 billion in investment in New Jersey's affordable housing market and community development sector at risk. The proposed 15 percent indirect-cost standard is also directly relevant to its work: HCDNNJ reports that most of its grants provide more than 15 percent for administrative costs. In practice, the new standard could make those grants more costly to administer, reduce the amount of support HCDNNJ receives, or reduce bank engagement altogether. That is exactly the wrong direction for a rule intended to strengthen community development.

Instead, COA recommends that the agencies continue to recognize grants and donations as qualifying CRA activities; explicitly recognize flexible and general operating support to organizations whose primary mission is qualifying community development; eliminate the proposed 15 percent indirect-cost limitation; and establish clearer standards for identifying mission-based CDOs and other qualifying community development organizations.

COA (formerly NACEDA) has previously urged CRA regulators to adapt an existing federal framework for identifying Community Development Corporations (CDCs). Under the Community Economic Development framework administered by the U.S. Department of Health and Human Services, qualifying organizations are private nonprofits whose governing documents establish a principal purpose of planning, developing, or managing low-income housing or community development projects, and whose boards include representation from community residents, business leaders, and civic leaders. COA believes the agencies should adapt this framework for CRA purposes. A nonprofit that can demonstrate through its mission, governing documents, board composition, and record of work that its principal purpose is community development serving LMI people and places should be recognized as a qualifying mission-based CDO.

That designation should provide banks and examiners with a strong presumption that grants and other support to the organization have a community development purpose. This is far better aligned with CRA than an arbitrary indirect-cost test. It asks the question that matters: is this an organization whose mission, governance, and work are directed toward community development and LMI needs? If so, CRA should allow banks to support the organization itself, including its staff, capacity, and operations, rather than requiring every grant dollar to be traced to a discrete project or forcing the organization to stay below a 15 percent administrative-cost threshold. The same designation should also matter beyond grants: participation by a qualifying mission-based CDO should serve as strong evidence of community development primary purpose when evaluating housing, economic development, and other activities whose LMI benefits cannot always be captured by a simple numerical threshold.

Question 11 - Primary purpose

COA supports clearer guidance regarding primary purpose, but the guidance should remain centered on meaningful community development benefit to LMI people and places.

The proposal would generally continue current primary-purpose guidance. An activity qualifies where a majority of dollars or beneficiaries serve a community development purpose. An activity below that majority threshold can nevertheless receive full consideration when it has a bona fide community development intent, is specifically structured to accomplish that purpose, and does or is reasonably certain to accomplish it.

COA recommends a general principle of proportionality. Where an identifiable portion of an activity produces a qualifying community development benefit, CRA consideration should ordinarily reflect that portion. An incidental LMI benefit should not transform an entire transaction into a qualifying community development activity.

At the same time, the rule should preserve substantial flexibility for activities carried out by mission-based CDOs. COA believes that the identity and mission of the organization carrying out an activity can itself provide

important evidence of community development purpose. A CDO whose primary organizational mission is to serve LMI people and places, whose governance reflects community accountability, and whose history demonstrates sustained community development activity is fundamentally different from an entity undertaking an otherwise conventional transaction that happens to produce an incidental LMI benefit.

For those organizations, regulators should not rely exclusively on transaction-by-transaction income percentages to determine whether an activity has a community development primary purpose. CDOs frequently undertake mixed-income, mixed-use, neighborhood-scale, or long-term revitalization strategies in which the benefits to LMI residents cannot be allocated neatly to a single percentage. A housing development may intentionally include households at several income levels to make the project financially sustainable. A neighborhood revitalization project may benefit residents, businesses, and institutions simultaneously. An economic development initiative may strengthen a commercial district while also serving LMI entrepreneurs and residents. These activities can have a clear community development purpose even when a majority-benefit calculation does not capture their full impact.

COA (formerly NACEDA) took this position explicitly in its 2022 CRA comments, recommending full consideration where an activity is performed by a community-based development organization with a history of serving LMI people and places. In the housing context, we argued that such organizations have the mission and experience to assess mixed-income housing needs in the communities they serve.

The agencies should therefore establish a clear mission-based CDO pathway for demonstrating primary purpose. Relevant indicators could include the organization's stated mission and governing documents, a demonstrated history of serving LMI people and places, community representation or accountability in governance, and a record of developing housing, economic development, or other qualifying community development activities. COA (formerly NACEDA) has previously pointed to existing federal CDC definitions as a useful starting point.

This should function as a meaningful presumption, not merely another factor buried in examiner discretion. Where a qualifying mission-based CDO is responsible for developing, owning, managing, or substantially carrying out an activity, its mission and track record should create a strong presumption that the activity has a community development primary purpose, absent evidence to the contrary. That preserves an important distinction between incidental LMI benefit, which should not generate full CRA credit, and community development carried out through a mission-driven organization, where the organization itself provides evidence that serving LMI communities is the reason the activity is being undertaken.

This clarity matters in practice. Banks are understandably cautious when CRA eligibility is uncertain. Ambiguity around whether CDO activity qualifies can discourage support even when the activity is strongly aligned with CRA's purpose. A defined CDO pathway would make the rule both more objective and more effective: it would give banks greater confidence to support trusted community institutions while preserving CRA's focus on LMI people and places.

Questions 12-17 - Complexity, responsiveness, innovation, and flexibility

COA supports the agencies' effort to clarify qualitative consideration of community development activities. We particularly support placing responsiveness to community need at the center of qualitative review.

However, COA does not support defining the complexity or value of grants, investments, and services primarily through their relationship to lending. Under the proposal, an investment, grant, or service could be considered 'complex' based on whether it is a necessary or beneficial component of a multicomponent financing transaction involving a loan. That approach risks privileging activities because of their transaction structure rather than because of their community impact.

A general operating grant that allows a CDO to expand its housing pipeline may be more responsive than a complicated financing transaction. Technical assistance to a small or rural organization may unlock future

projects that otherwise would never occur. Patient equity may address a need for which a conventional loan is inappropriate.

- Question 12: No. Linking grants, investments, and services to lending does not inherently make them more responsive to community credit needs.
- Question 13: COA does not have a strong view on this question standing alone. Our larger concern is that the definition of complexity not elevate loan-linked structure over responsiveness to an identified community need.
- Question 14: The agencies should not require investments or services to be tied to complex lending transactions as a condition of receiving meaningful consideration.
- Question 15: Complexity should not automatically receive greater consideration than innovation, flexibility, impact, or other evidence of responsiveness.
- Question 16: Additional definitions may improve consistency, but the governing principle should remain the extent to which the activity helps meet an identified community development need.
- Question 17: Responsiveness should remain an important concept in evaluating community development activity. The strongest evidence of responsiveness is that a bank identified a genuine community need - particularly a need of LMI people or places - and designed activity that meaningfully addresses it.

The proposal already recognizes that responsiveness can include impact and success in meeting an identified credit or community development need. COA encourages the agencies to make that concept the center of the qualitative framework rather than subordinating it to transaction complexity.

Questions 18-20 - Middle-income and workforce housing

COA believes CRA affordable-housing activity should remain primarily focused on LMI households.

Question 18 asks whether affordable housing should be expanded to include middle-income rental housing in high-cost areas. Question 19 asks how high-cost areas should be defined, and Question 20 asks whether development cost or location in a high-opportunity area should affect CRA consideration.

COA (formerly NACEDA) expressed caution in 2022 about broadly expanding CRA affordable-housing eligibility to middle-income households and continues to hold that general position. We are concerned that broad middle-income eligibility could compete with housing serving households whose incomes and access to capital are more squarely within CRA's traditional focus.

However, we support greater flexibility where middle-income or workforce housing is being developed or preserved by a mission-based CDO with a demonstrated history of serving LMI communities. In those circumstances, the organization's mission, community accountability, and long-term stewardship provide safeguards that are not present in an unrestricted middle-income housing category.

COA does not take a position on whether the appropriate high-cost threshold is 40 percent or 50 percent.

On Question 20, difficult development conditions should be considered as part of responsiveness rather than used independently to establish eligibility. Producing qualifying affordable housing in a market where land, construction, or other costs make development especially difficult can merit greater qualitative consideration. Difficulty itself, however, should not transform otherwise nonqualifying housing into a CRA-eligible activity.

Questions 21 and 22 - Nonprofit partnerships and naturally occurring affordable housing

COA supports greater flexibility for naturally occurring affordable housing developed or preserved in partnership with nonprofit and mission-based CDOs.

The proposal asks whether nonprofit partnerships should receive exceptions from the proposed rent standards tied to 80 percent AMI and, in high-cost areas, 120 percent AMI. COA supports such flexibility, including in the

high-cost-area framework reaching 120 percent AMI, when a qualifying CDO or nonprofit is materially involved and appropriate affordability protections are present.

Mission-based nonprofit stewardship matters. These organizations generally have an ongoing purpose of preserving affordability and serving communities rather than simply maximizing the short-term value of the property. Their involvement should therefore be recognized as an important indicator of community development purpose.

Question 23 - Direct mortgages to LMI borrowers

COA does not support treating direct home mortgage loans to LMI individuals as community development loans merely because mortgage lending is not a major product line for the bank.

Retail mortgage lending and community development financing serve related but distinct functions within CRA. The agencies should preserve that distinction rather than reclassifying ordinary retail loans based on a bank's product mix.

LMI homeownership remains an important CRA objective, but it should be evaluated through the appropriate retail framework rather than redefining individual mortgages as community development loans.

Questions 24-30 - Economic development

COA supports the agencies' effort to make the economic-development definition clearer and more objective. However, we do not support eliminating the connection between economic-development activity and meaningful benefit to LMI people, places, or identified community needs.

The proposal would eliminate the existing purpose test, including the requirement that an activity create, improve, or retain jobs for LMI individuals or in LMI areas, and replace it with more objective qualifying categories.

- Question 24: The agencies should not exclude a genuinely small startup merely because it is expected to grow rapidly. Helping small businesses grow is itself a legitimate economic-development objective. The agencies should, however, be cautious about extending CRA consideration to nominally small businesses that are affiliates of much larger companies. CRA-motivated economic-development activity should focus on independent small businesses and enterprises for which access to capital or support represents a meaningful community development intervention. Existing size standards can serve as a guardrail, but size alone should not determine community development value.
- Question 25: Yes. COA supports retaining a meaningful, though flexible, LMI nexus. That nexus need not be limited to one narrow job-creation test. It might be established through jobs created or retained for LMI individuals, meaningful benefit to an LMI community, responsiveness to an identified local need, or activity carried out through a qualifying mission-based CDO.
- Question 26: COA does not recommend removing the existing examples of government programs. Any additional programs should have a clear community development purpose and a meaningful connection to LMI needs or other qualifying community development objectives.
- Question 27: Greater objectivity can improve CRA administration, but objective criteria should clarify the community development nexus rather than replace it. A transaction should not become qualifying economic development merely because the recipient falls below a size threshold.
- Question 28: Routine operating liquidity should not receive CRA consideration merely because it is provided to a small business. CRA consideration should be more closely connected to capital access, expansion, productive capacity, technical assistance, job creation or retention, or another identifiable community development need.

- Question 29: In developing the final definition, the agencies should avoid excluding activities that serve legitimate economic development purposes simply because they do not fit neatly into the new objective categories. Mission-based intermediaries and CDOs can be useful evidence of such purpose.
- Question 30: COA supports reasonable presumptions for credible government and mission-based programs that demonstrably address community development needs. Such presumptions should simplify administration without eliminating the underlying expectation that the activity produce a genuine community development benefit.

The overarching principle is that business size is a useful guardrail, but the more important question is why CRA support is needed and who benefits from it.

Question 34 - Community development outside assessment areas

COA supports allowing banks to receive CRA consideration for qualifying community development activity outside their required assessment areas, but only after they have demonstrated satisfactory community development performance within their own assessment areas.

The proposal asks whether banks should be permitted to receive consideration outside assessment areas without first meeting geographic performance standards everywhere and, if so, what standard should apply. COA believes local responsibility must come first.

A bank should not be able to compensate for weak community development performance in communities where it has a clear obligation by accumulating qualifying activities elsewhere. Geographic flexibility should be additive, not substitutive.

Once a bank has demonstrated satisfactory local performance, however, greater flexibility can be valuable. It can direct capital toward communities with significant needs but fewer CRA-active institutions, including rural areas, smaller cities, Native communities, and other markets that can function as CRA deserts.

Outside-area consideration should be transparent, tied to an identified significant community need, available only after satisfactory performance within required assessment areas, and structured to encourage investment in underserved markets rather than additional concentration in already competitive CRA markets.

Question 48 - Strategic-plan public engagement

COA supports modernization of the strategic-plan process, but public notice and a comment period alone are not sufficient community engagement.

Banks seeking strategic-plan treatment should affirmatively engage affected communities before the plan is substantially complete. That engagement should include CDOs, residents, local governments, and other organizations with direct knowledge of community credit and development needs.

The purpose should not simply be to document that comments were accepted. The process should help determine the plan's priorities and measurable goals.

COA also recommends that strong and sustained community engagement receive affirmative qualitative consideration in CRA evaluation. COA (formerly NACEDA) has previously recommended recognizing exemplary community engagement because the process through which banks identify community needs is itself important to effective CRA performance.

Question 53 - Adequacy of strategic-plan goals

Yes. The agencies should make clear that they may deny or require resubmission of a strategic plan when its measurable goals, viewed in the aggregate, fail to address the credit and community development needs of its assessment areas.

That authority is essential if strategic plans are to remain an alternative method of demonstrating CRA performance rather than an easier route to Satisfactory.

The agencies should retain flexibility to consider different business models, but strategic-plan goals should demonstrate meaningful attention to identified needs of LMI people and places and should be informed by meaningful community engagement.

Questions 55 and 56 - Assessment-area modernization

COA strongly supports modernizing assessment areas so that CRA responsibility follows meaningful lending activity, not simply branch location.

Question 55 asks how the agencies should determine when a bank conducts a substantial portion of lending in an area. Question 56 asks whether that approach should instead be replaced with a radius around physical facilities. COA prefers a lending-based approach.

Branches remain important to many communities and should continue to matter in CRA evaluation. But a branch-only or branch-radius geography is no longer sufficient to determine the full geographic scope of a bank's responsibility. A bank may make substantial volumes of loans in a community without maintaining a branch there. Where that occurs, the bank should have meaningful CRA responsibility to that community.

COA does not recommend one particular numerical threshold in response to Question 55. The agencies should develop a transparent standard for identifying meaningful concentrations of lending and ensure that the standard captures significant bank activity without allowing incidental lending to create unworkable assessment areas.

The final rule should also take account of differences among rural, suburban, and urban markets. But those differences should inform the design of a lending-based standard rather than cause the agencies to retreat to a purely physical radius.

A core objective of CRA modernization should be simple: bank responsibility should increasingly follow where banks actually conduct business.

Discriminatory and other illegal credit practices

Although this issue is not presented as one of the proposal's numbered questions, COA believes it warrants explicit comment.

The agencies propose two alternatives for determining what discriminatory or other illegal credit practices can affect CRA performance. Option 1 would generally require a violation to appear in a public enforcement action or qualifying judicial order. Option 2 would also allow regulators to consider violations identified in examination reports, including confidential supervisory findings.

COA supports Option 2.

A bank's CRA rating should not depend on whether substantiated discriminatory conduct ultimately resulted in a public enforcement action. Supervisory examinations can identify significant violations that are directly relevant to whether a bank is meeting community credit needs fairly.

At the same time, the agencies should provide greater clarity and transparency regarding how discriminatory practices affect CRA ratings. Significant, substantiated discriminatory or illegal credit practices should materially affect CRA performance ratings. Regulators should retain judgment to distinguish among circumstances and severity, but consequences must be meaningful enough that a bank cannot receive substantial CRA benefit from activity occurring alongside serious discriminatory conduct.

More broadly, CRA modernization should continue to recognize persistent racial disparities in access to credit and investment. COA is not proposing a detailed new demographic-data regime in this letter, but race and racial disparities remain relevant context for understanding whether communities are being served equitably.

Interagency consistency

Finally, although the proposal does not pose a numbered question on interagency consistency, COA believes it is fundamental to the rulemaking.

The proposal is being advanced by the OCC and FDIC rather than all three federal CRA regulators. COA urges the OCC and FDIC not to finalize a materially different CRA framework unless the Federal Reserve participates or the three agencies otherwise reach substantive alignment.

Different CRA frameworks would create unnecessary complexity not only for financial institutions but also for CDOs and the state and regional associations that support them. Organizations seeking bank financing, grants, or partnerships should not need to maintain separate regulatory playbooks depending on which federal agency supervises the institution across the table.

COA (formerly NACEDA) raised this same practical concern when prior divergent CRA rulemaking created the prospect of multiple frameworks. Community organizations and local governments should not have to become proficient in different CRA systems simply to obtain resources and capital.

Divergent rules also create another problem: an incentive for regulatory arbitrage, or regulator shopping. If materially different CRA obligations attach to banks based on charter and primary federal regulator, institutions may consider those differences when choosing or changing charters. We do not suggest CRA is the only, or necessarily the principal, factor in a bank's charter decision. But the agencies should not knowingly create a CRA framework in which similarly situated banks face materially different community development obligations depending on the regulator they choose.

That risk cuts against the basic logic of an interagency CRA framework. A bank should not be able to reduce or reshape its community development obligations by moving to a regulator with rules it prefers. Nor should community organizations have to ask who regulates a bank before they can understand the bank's CRA responsibilities.

For COA and its network of state and regional field-building organizations, consistency also matters because their work routinely crosses the boundaries of individual banks, regulators, and assessment areas. They build relationships across financial institutions, coordinate statewide and regional strategies, and help local CDOs navigate the capital system. Regulatory fragmentation makes that work harder without producing a corresponding benefit for communities.

COA therefore urges the OCC and FDIC not to finalize a materially different CRA framework unless the Federal Reserve participates or the three agencies otherwise reach substantive alignment. A modern CRA should be understandable to the communities it is intended to serve, should impose comparable obligations on similarly situated institutions, and should not create incentives for institutions to select among regulators based on which CRA obligations they prefer.

Conclusion

CRA has always worked best when it does more than tell a bank what counts. It should require banks to understand the communities in which they do business, identify unmet needs, and respond with lending, investments, grants, services, and partnerships that make a difference for LMI people and places. COA supports modernization, clearer rules, and reasonable flexibility. But those goals should strengthen community development responsibility, not narrow it. The final rule should preserve meaningful obligations across bank sizes, protect grants and the CDO infrastructure that makes community development possible, maintain a real

LMI nexus, modernize geographic responsibility to reflect where banks actually lend, preserve meaningful community voice and accountability, and operate under one coherent interagency framework.

COA and our state and regional association members have spent decades working with banks, regulators, public agencies, funders, and local CDOs to make CRA work in communities. We welcome the opportunity to continue that work with the OCC, FDIC, and Federal Reserve as the agencies consider the future of the law. Thank you for considering our comments.

Sincerely,

Frank W. Woodruff

Executive Director & CEO

Community Opportunity Alliance