December 16, 2022

Jessica Milano
Chief Program Officer, Office of Recovery Programs
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20005

RE: Community Investment Request for Information Comments

Dear Ms. Milano:

ICBA appreciates this opportunity to provide comments in response to the newly formed Interagency Community Investment Committee's ("ICIC" or "Committee") Request for Information ("RFI"), which seeks information on effective approaches for supporting access to affordable capital and financial services in historically underserved communities. Overall, ICBA believes that the ICIC will provide an important resource for community bankers and their customers to learn about an participate in programs that provide federal resources.

As ICIC sets its inaugural goals and priorities, ICBA recommends the Committee consider the following:

- Agency collaboration will be essential to optimizing federal programs;
- Providing consistence guidance is critical for community banks to serve the needs of un- and under-banked customers;
- Data collection can be extraordinarily burdensome and ICIC should first explore data that already exists and is already being captured; and
- Agencies have tremendous ability to convene private and public stakeholders to identify common causes of insufficient capital for underserved areas and to develop strategies that will address those causes.

Background

The ICIC, authorized by the Inflation Reduction Act, is a newly created interagency body focused on the operations and execution of federal programs that facilitate the flow of capital and provision of financial resources into historically underserved communities. The ICIC is made up of representatives from the Department of the Treasury, Small Business Administration, Department of Commerce, Department of Transportation, Department of Housing and Urban Development, and Department of Agriculture (collectively, the "Agencies").

As part of its formation, the ICIC is soliciting comments on how it can promote economic conditions and systems that reduce racial disparities and produce stronger economic outcomes for all communities. Specifically, the Committee seeks examples of successful private-public partnerships that were made difficult due to federal program requirements and how the Agencies support financial intermediaries that serve these communities.

ICIC is focused on four key areas:

1. Strengthening the capacity of community financial institutions that provide capital in low- to moderate-income communities;
2. Starting and scaling small businesses among historically underserved communities;
3. Broadening financial inclusion and provision of financial services; and
4. Investing in community facilities and infrastructure to improve access to assets and resources that bolster economic mobility and generate community wealth.

ICBA Comments

The community bank industry will be an important partner as the ICIC gets underway. To that end, ICBA offers relevant information and recommendations in response to several of the RFI questions.

Question: Community financial institutions play a critical role in providing safe, affordable capital and financial services to historically underserved communities. How can federal agency coordination help build the capacity of these organizations to serve their communities?

ICBA Response: As the ICIC organizes itself and its priorities, ICBA believes it is important to emphasize how integral community banks will be toward achieving ICIC's mission. Not only do community banks provide basic deposit, credit and payment services, but they also provide much more that is designed to account for the unique needs of their communities, at each stage and situation for their customers' lives. Many of these are specifically designed to cater to unbanked and underbanked populations. The need to cater to this population is clear.

Many unbanked and underbanked consumers are considered "credit invisible." Nearly 20 percent of adults do not have a credit record with a nationwide credit reporting agency, with low-income and rural areas disproportionately represented. Almost 30 percent of Americans in low-income census tracts, and approximately 15 percent of adults in rural areas are credit invisible.[1]

Community banks have more of a presence in these areas than other financial institutions, with community banks being the only banking presence in one out of every three counties[2] and maintaining a presence in 93 percent of all minority-majority communities, including 96 percent of African-American majority and 98 percent of Hispanic-American majority communities.[3]

Community banks have sought to serve these populations through innovative products and programs, yet the federal banking agencies have sometimes issued conflicting or inconsistent guidance that hinders these efforts. Problems arise when banking agencies significantly revise or rescind prior guidance. This has most notably caused harm in the small dollar market, which is arguably the most needed product for unbanked and underbanked individuals.

As a recent GAO report noted,[4] "some market participants and observers noted that banks do not want to offer small-dollar products because they are expensive to develop and the regulations or supervisory expectations may change."[5] The report goes on to detail how your Agencies issued or rescinded at least 19 actions related to small-dollar loans over only a ten-year period.

ICBA strongly recommends that the Agencies take steps to alleviate regulator uncertainty that clearly inhibits banks' adoption of products and services that would otherwise benefit unbanked and under-banked consumers. Taking this premise further, ICBA asks the Agencies to consider greater use of presumptive safe harbors from enforcement actions when certain agreed-upon parameters are met.

For example, guidance on novel technologies and techniques, launching and/or considering pilot programs, initiating competitions and tech sprints, issuing advisory opinions and safe harbors for approved activities, and seeking greater information and knowledge from a wide swath of stakeholders. This effort has proven to be invaluable for community banks as they seek to forge a path for the future. The community bank model of relationship banking is key to high quality products and services that improve financial health. ICBA believes that innovative technology will not only help community banks establish more meaningful relationships with their existing customers but will also provide avenues to develop new relationships with the many Americans that lack financial health.

Question: How can the Agencies incentivize or structure data collection and reporting to promote increased private sector and philanthropic investment in community financial institutions?

ICBA Response: First and foremost, while data can be helpful, the Agencies need to be mindful that community financial institutions such as community banks are already inundated with reporting requirements. Often, these reporting requirements become tremendously burdensome, necessitating the addition of full-time employees simply to comply with and monitor the data needed for reporting. Many of the reporting requirements have a strict tolerance threshold, which creates difficulty for banks that unintentionally report erroneous data. The main issues stem not from the creation of the data, but rather, from the collection, retention, and transmission of that data.

As the Committee evaluates data needs and promotion of private sector investment in community financial institutions, ICBA recommends that the ICIC host a convening where the

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data to be collected is first identified, then host a discussion among stakeholders on whether that data is already collected and how it can be most efficiently collected.

For data that is not yet collected, ICBA believes that the Agencies could establish a public-private partnership that emulates the FDIC's Mission-Driven Bank Fund model. The goal of the Fund could be to develop a platform that automates the collection and reporting of community financial institution data, thereby alleviating community banks of thousands of hours of manual labor currently required to comply with data collection efforts.

Question: How can the Agencies collaborate on providing technical assistance, opportunities for peer-to-peer learning, and other non-financial resources to support the deployment of capital or implementation of community-serving projects in historically underserved communities?

ICBA Response: ICBA has long contended that the certification to become a Community Development Financial Institution ("CDFI") is too cumbersome, unwieldy, and detracts from the mission work that CDFI banks perform. While some agencies perform loan analytics for CDFI applicants, ICBA suggests that all CDFI applicants be eligible for technical assistance that provides an analysis of their lending portfolio to determine if they would meet CDFI criteria. From ICBA research, there are likely several hundred community banks that already perform CDFI-type mission work yet are not certified due to the complexities, costs, or unnecessary or superfluous burden of receiving certification. From these banks' perspective, they are fulfilling their mission by serving their communities – anything that detracts from that mission, such as additional paperwork and reporting, is hard to justify.

ICBA recommends that the Agencies explore providing technical assistance for community banks located in low income-income areas, perhaps by performing loan analysis on their portfolios to determine CDFI eligibility.

Conclusion

As the Agencies seek to collaborate with each other to meet the goals of the ICIC, ICBA urges the Committee to also collaborate with community banks. There are a menu of options for the ICIC to pursue, including the development of communities of practice, working groups, technical support, educational session, or other similar convenings that would facilitate the exchange of ideas.

Agency-led efforts are enhanced when private industry, including community banks, are involved. As such, ICBA recommends that the interagency collaboration maintain permanent inclusion for community bank and other private participants. Coupled with the insight and expertise of bank regulatory staff, these convenings could identify novel opportunities that could spur joint ventures among the community banks.

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The opportunity before the ICIC is unique and promising. ICBA believes that the recommendations made above will assist your Agencies on meeting that promise. To that end, we would greatly appreciate a meeting with you or members on your team to discuss these further. We are confident that community banks would welcome the opportunity to engage with your Agencies to further your goals and increase levels of financial inclusion. If you are so inclined, please contact Michael Emancipator at Michael.Emancipator@icba.org or (202) 821-4469.

Sincerely,

/s/

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