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Serving Indian Country with the Modernized Community Reinvestment Act

Remarks by

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at

The Modernized Community Reinvestment Act and Indian Country

The Federal Reserve Bank of Minneapolis

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Good afternoon. I'm grateful for the opportunity to join you today as we discuss the updated Community Reinvestment Act regulations and what they mean for Indian Country.

The Community Reinvestment Act—or CRA—requires banking regulators to encourage federally insured banks to help meet the credit needs of the communities in which they do business, including low- and moderate-income neighborhoods. On October 24, the Federal Reserve Board, the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) announced a final rule strengthening and modernizing the regulations implementing the CRA. This historic update reflects years of public engagement and several rounds of rulemaking by the Board, FDIC, and OCC. During this process, the Center for Indian Country Development was a key partner in encouraging input from Native community members and organizations. Indian Country leaders described critical community needs, such as developing partnerships with financial institutions, increasing mortgage lending, and bolstering partnerships with Native Community Development Financial Institutions (CDFIs) to expand small business lending. I want to thank you for sharing your perspectives. They informed the final rule in ways that have the potential to positively impact community development in Indian Country for generations to come.

As the Federal Reserve's Vice Chair for Supervision, I oversee supervision of banks and bank holding companies. I've researched and written about the CRA's role in expanding access to credit and financial inclusion for many years and have had the privilege of working with dedicated colleagues across the Federal Reserve, FDIC, and OCC who worked tirelessly on this update. It's profoundly rewarding to have completed this historic milestone, and yet I know our work has just begun. We now need to turn our attention to building awareness of the

opportunities introduced by the new regulations, and to supporting their clear and consistent implementation.

The potential impact of the new rule was reinforced for me on a recent visit with tribal nations in Montana. In August, I had the opportunity to spend time on the Flathead and Blackfeet reservations, where I met with members of the Confederated Salish and Kootenai Tribes and Blackfeet Nation. Tribal members described the need to address persistent housing challenges and insufficient access to credit in their communities.

While there is a range of housing experiences across Indian Country, many communities face an inadequate housing supply, substandard housing conditions, and limited access to credit for home purchases and improvements. Research from the Center for Indian Country Development has found that Native Americans pay more for home loans than White borrowers on average, and the gap widens for Native American borrowers living on reservations.¹ In a community roundtable, tribal members of diverse ages and income levels shared their personal stories of struggling to find affordable housing and secure the financing they need.

My conversations with bankers and community leaders raised hopeful avenues for addressing these challenges. In a roundtable with community banks, lenders described efforts to expand capital and financial services in Indian Country. Banks are also building their capacity to leverage federal housing resources and navigate the complexities of trust land, but these efforts are time-consuming. These lenders see an opportunity to simplify the administrative complexity of federal housing programs on tribal lands. Native CDFIs may also offer innovative ways to

¹ [Helen Banga, Donn Feir, Matthew Gregg, "The Unequal Costs of Native American Homeownership," Federal Reserve Bank of Minneapolis, August 3, 2023, https://www.minneapolisfed.org/research/cicd-working-paper-series/the-unequal-costs-of-native-american-homeownership.](https://www.minneapolisfed.org/research/cicd-working-paper-series/the-unequal-costs-of-native-american-homeownership)

address housing and other credit needs in Indian Country.² These culturally centered community institutions are finding new ways to support positive credit outcomes and loan performance, and to facilitate mortgage loans in Indian Country.

The modernized CRA regulation includes important updates that can benefit Indian Country by encouraging affordable housing and expanding access to credit, investment, and banking services in Native Land Areas. I'm grateful for the work that the Center for Indian Country Development, our fellow regulatory agencies, and organizations serving Indian Country are doing to help communities understand the new provisions. The new rule reflects changes to the current CRA framework intended to clarify and recognize community development activities in Native communities. I'm hopeful about the new opportunities these updates open, and I'll highlight a few of those key changes today.

One major change is that the updated rule newly defines "Native Land Area" and eligible activities in those areas. In addition, under the new rule, certain investment and community development activities in these areas are given special consideration. This important update will recognize banks providing more banking services, community development financing, and volunteer work in Native communities. Another key change is that banks can now get credit for qualifying activities that take place outside of their assessment areas. What this means is that even banks whose assessment areas fall outside of Native Land Areas can receive CRA credit for activities serving those areas.

The updates related to Native Land Areas provide needed clarity to recognize investment in Native communities, but there are of course many Native people who live outside of these areas. The final rule also includes provisions that can be used to recognize activities benefiting

² [Caryn Mohr, "Unpacking the wisdom of Native CDFIs," Federal Reserve Bank of Minneapolis, August 29, 2023, minneapolisfed.org.](https://www.minneapolisfed.org/news-and-events/press-releases/2023/08/29/unpacking-the-wisdom-of-native-cdfis)

Native individuals and communities outside of designated Native Land Areas. Community development activities that serve individuals and communities outside of the Native Land Areas may qualify for CRA consideration under another community development category. For example, a loan to a nonprofit organization focused on providing housing to low- or moderate-income urban Native individuals could qualify as an affordable housing community development activity. Another example would be loans or investments to facilitate community supportive services for low- or moderate-income individuals, such as childcare, education, workforce development and job training programs, health services programs, and housing services programs.

Another important part of the new rule establishes a community development category that includes CRA credit for activities undertaken with CDFIs, including Native CDFIs, which are certified by the Treasury Department. With this update, the final rule provides clarity that a loan to a Native CDFI—including one serving a Native community outside of a Native Land Area—would receive positive CRA consideration. We know from research conducted by the Center for Indian Country Development that Native CDFIs play a key role in addressing capital and credit needs in Indian Country.

These and other updates to the regulations implementing the CRA open promising new opportunities for supporting community development activities in Indian Country. One objective of the final rule is that it provides greater transparency and consistency in application of the regulations. For example, the new regulations include a list of “impact and responsiveness review factors” designed to standardize the assessment of a bank’s community development performance. This is an important change that will guide structured evaluation of banks’ community development activities.

Finally, the definition of “Native Land Area” in the final rule, coupled with data collection and reporting provisions regarding bank community development activities, will support greater transparency in how Indian Country is served, and provide stakeholders with a better understanding of the needs and opportunities for community development in these areas.

In the years to come, we have an important responsibility to monitor and assess how well the updated CRA regulations meet the needs of Indian Country. In our role as one of the CRA’s regulatory agencies, it will be critical that we continue to listen to and learn from your experiences. Native CDFIs and other community-based groups will also continue to play a vital role in these efforts by highlighting where banks should do more for low- and moderate-income communities.

Thank you again for the opportunity to discuss this landmark CRA update with you. I look forward to working with you and learning from your experiences in the years to come as we apply this new framework in service of Indian Country.