



Community Reinvestment Act Comments

Docket ID OCC-2022-0002

We thank the Board of Governors of the Federal Reserve System (Board), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) for their proposed amendment to their regulations implementing the Community Reinvestment Act of 1977 (CRA) to update how CRA activities qualify for consideration, where CRA activities are considered, and how CRA activities are evaluated.

The CRA is a useful tool to ensure that banking institutions meet the credit needs of the areas that they serve. Ben Franklin Technology Partners (BFTP) is one of the earliest state-sponsored venture development organizations (VDOs), created in 1982. Our statewide network provides capital to technology-based startups in underserved communities throughout Pennsylvania. An initiative of the Commonwealth of Pennsylvania through the state's Ben Franklin Technology Development Authority and Department of Community and Economic Development, we have earned bipartisan backing by consistently and efficiently creating and retaining highly paid, sustainable jobs in the Commonwealth. For almost 40 years, BFTP has provided both early-stage, technology-based firms and established manufacturers with funding, business and technical expertise, and access to a network of innovative, expert resources. Many of our activities align with CRA's goals to support minority- and women-owned businesses, rural and underserved urban areas, and other disadvantaged communities. By far, most of the companies we support, start-up enterprises, have sales less than one million dollars. Nonetheless, we have faced challenges in partnering with banks in terms of their understanding of how support of our work would enable them to receive CRA credit.

As you consider the rewrite of CRA credit, we recommend the following:

Include a Comprehensive List of Examples Eligible for CRA Credit, including Partnership with State Sponsored Venture Development Organizations

We appreciate that the Administration's proposal includes examples of activities with financial intermediaries that increase access to capital for businesses or farms with gross annual revenues of \$5 million or less as being eligible for CRA credit. However, in that same section, the guidance includes limited examples of "financial intermediaries" to include a Community Development Corporation (CDC) that provides technical assistance to recently formed small businesses or a Community Development Financial Institutes (CDFI) that provides lending to support sustainability of small farms.

CDCs and CDFIs play important roles but are not the only financial intermediaries that increase access to capital for small and emerging businesses. Since the formation of BFTP almost 40 years ago, many states have supported the formation of venture development organizations that have a public mission of economic growth through technology and innovation whereby they offer financing and support to emerging enterprises. Recognizing the importance of supporting the formation of new enterprises that are creating new industries, we strongly recommend that state-sponsored venture development organizations explicitly included as eligible for CRA credit. Under the current CRA guidelines, these organizations are eligible, but many banks are not aware of this and, therefore,



hesitant to provide them support. By including VDOs on the official list of examples, that uncertainty will be eliminated.

Doing so will help open channels of private support for communities seeking to grow all sectors of their economy to help improve economic resilience. Ben Franklin's support of new economy enterprises, its commitment to serve a broad population, and its prioritization of funding to those who are not already receiving it advances the access to jobs of the future to all residents and the purpose of CRA. For example, Ben Franklin Technology Partners works diligently to ensure that there is greater diversity of investment in minority and women-owned businesses through their programs.

This recommendation is underscored in the June 2011 report of the National Advisory Council on Innovation and Entrepreneurship (NACIE), an advisory arm to the Secretary of the Department of Commerce, which recommended that attention be given to clarifying the eligibility of non-profit venture development organizations as options for support by banks as part of their CRA eligible community development strategies.

In 2021, the majority of Ben Franklin Technology Partners' investment portfolio supported companies who were well under \$5 million in sales. In addition, 32 percent of investments were in women-owned businesses and 28 percent in minority-owned businesses. These investments are in addition to the outreach and special programs and support provided by Ben Franklin Technology Partners to provide staff time, network, and other resources for the region's underrepresented founders.

Allowing funding for state-sponsored venture development organizations to be eligible for CRA credit will increase access to capital for businesses, which remains one of the largest challenges for startups in our country today, and ensure that it is done in a way that prioritizes funding to those groups which the CRA aims to reach.

Ensure a Consistent Approval Process

As we describe above, we recommend that state-sponsored venture development organizations be explicitly outlined in the examples of the CRA guidance. Further, we appreciate the intent behind proposing a formal mechanism for banks to receive feedback in advance or after the fact on whether proposed community development activities would be considered eligible for CRA. However, this process could pose several difficulties if VDOs are not explicitly listed as an eligible activity. First, we are concerned that the approval process may not be consistent and would be dependent upon the approving officer's familiarity with VDO organizations and their economic development role. Second, the process adds an extra step for banks, creating unnecessary barriers and incentivizing them to approve funding for activities already outlined in the guidance examples.

We strongly recommend the inclusion of as many eligible activities as possible to be listed in the CRA guidance, rather than requiring a formal approval process. Should an informal guidance or formal approval process be adopted, we recommend that the training for agency staff include information on VDOs and our role in economic development.

Do Not Create a List of Activities that are Not Eligible

We do not support a non-exhaustive list of activities that do not qualify for CRA consideration as community development activities. Certain activities on such a list could be interpreted differently by banks, causing them not to partner with organizations who are eligible. Alternatively, banks could provide funding to causes that would not be considered eligible under CRA because they are not included in the non-exhaustive list.



Support \$5 Million Threshold

We support raising the threshold of what is considered “economic development spending” from \$1 million to \$5 million in small business or farm revenue. This will allow us to serve more small and emerging businesses that face difficulties in accessing capital and support because of race, gender, location, or other circumstances.

Summary

We appreciate the opportunity to submit comments. Our recommendations aim to ensure that unnecessary barriers to support emerging enterprises and underserved communities are addressed, to bring clarity to the banking community regarding the scope of eligible uses, and to make the process as streamlined as possible. To summarize, we recommend that the Administration:

1. Include state-sponsored venture development organizations in the example listing of eligible activities for CRA credit;
2. Do not prioritize the pre-approval of uses over inclusion of as many examples as possible in the initial listings; and
3. Increase the threshold to \$5 Million.

We appreciate your consideration of our recommendations and welcome any opportunity to provide more information or background on the nation’s VDOs and the Ben Franklin Technology Partners.