BANK INVESTMENT FALLS SHORT IN RURAL AMERICA

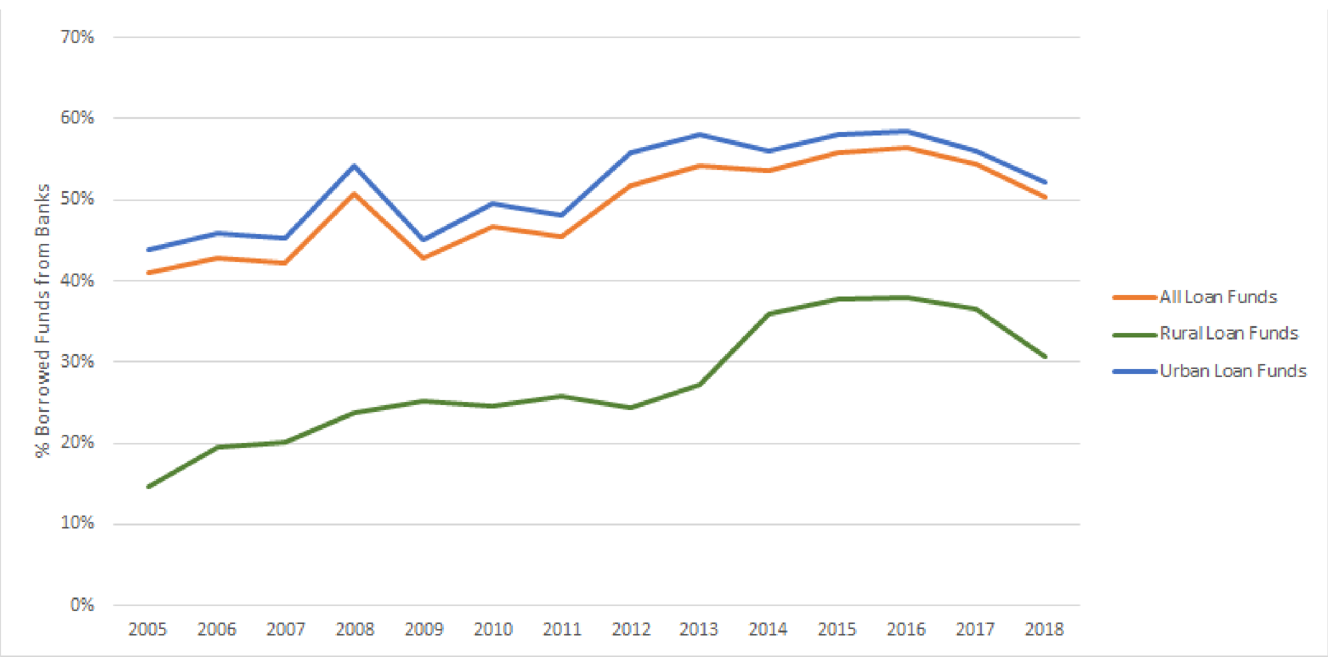
Reforms to the Community Reinvestment Act (CRA) Could Help

Dramatic Gap in Bank Investment in CDFIs Serving Rural Communities Compared with Bank Investment in CDFIs Serving Urban Markets

Community development practitioners have long decried the modest levels of bank investment in rural communities. Opportunity Finance Network (OFN) has documented this pattern through the data collected annually from community development loan funds in its membership.

Banks may receive credit on their Community Reinvestment Act (CRA) exam when they lend to or invest in a CDFI. In 2018, OFN member loan funds reported a total of $3.9 billion in capital borrowed from banks. This $3.9 billion supported $11.2 billion in outstanding financing by CDFIs to underserved borrowers and communities nationwide.

Longitudinal data from the past dozen years illustrates the painful gap between bank investment in CDFIs serving rural markets compared to bank investment in CDFIs serving urban markets. **For rural CDFIs, capital borrowed from banks in 2018 comprised 31% of total borrowed funds. For urban CDFIs, capital borrowed from banks comprised 52% of total borrowed funds.**



Under the existing regulatory framework for CRA, bank examiners focus on CRA activity in a bank's largest markets, which rarely include rural areas or even small cities. For the first time in many years, a serious policy discussion is under way about reforms to the Community Reinvestment Act (CRA). There is much room for improvement in how CRA addresses the persistent underinvestment in rural America.