August 31, 2026

Commissioner Jorge Perez
Department of Banking
280 Trumbull Street, 16th Floor
Hartford CT 06103-1800

Dear Commissioner Perez,

Thank you for your attention to the role financial institutions play in meeting the credit needs of the communities where they operate through the examination of state chartered banks and credit unions under Connecticut's Community Reinvestment Act (CRA). Given the growing impacts of climate change, particularly on low- and moderate-income (LMI) communities, the undersigned organizations encourage the Department of Banking to include climate mitigation and adaptation financing as eligible for positive consideration under Connecticut's CRA.

Worsening climate disasters as well as chronic climate change impacts threaten the availability of financial services in climate vulnerable geographies. Financial institutions are increasingly withdrawing from climate vulnerable communities in an effort to manage their risk, a practice we expect will accelerate as climate change impacts grow. At a hearing before the U.S. Senate Committee on Banking, Housing, and Urban Affairs last year, former Federal Reserve Chair Jerome Powell testified "If you fast forward 10 or 15 years, there will be regions of the country where you can't get a mortgage, there won't be ATMs, banks won't have branches and things like that."[1] While withdrawing from communities can help financial institutions manage their exposure to climate risks in the short-run, withdrawal does nothing to reduce climate risk in the financial system over the long term. Moreover, this practice deprives communities of essential financial services that they need to build climate resilience, risks violations of fair lending laws, and exacerbates economic and racial inequality.

The impact of climate change on the availability of financial services is not felt equally across communities. Due to a history of systemic exclusion, including redlining, low-income communities and communities of color are overrepresented in climate-vulnerable areas. LMI communities face greater flood risk and are more exposed to extreme heat than their middle- and upper-income counterparts.[2] Following a climate disaster, LMI communities have fewer resources and less credit access to make needed repairs. Bluelining, or the practice of limiting

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[1] Claire Boston, Powell predicts a time when mortgages will be impossible to get in parts of US, Yahoo Finance (Feb. 15, 2025).

[2] George C. Galster, Theresa Dunne & Lei Ding, Neighborhood Income Inequalities in Flood Hazards Across the Third Federal Reserve District States, Federal Reserve Bank of Philadelphia (Jun. 17, 2024); Jeremy S. Hoffman, Vivek Shandas & Nicholas Pendleton, The Effects of Historical Housing Policies on Resident Exposure to Intra-Urban Heat: A Study of 108 US Urban Areas, Climate (Jan. 13, 2020).

credit creation and investment in climate-vulnerable areas, often leads to further financial exclusion and magnifies existing inequalities and barriers to traditional finance for LMI communities and communities of color.[3]

Given the disproportionate impacts of climate change on LMI communities and the role of bluelining in exacerbating existing credit barriers, climate-related financing in these communities should be eligible for CRA credit. Eligible loans and investments should extend to both climate mitigation, that reduces greenhouse gas emissions, and climate adaptation, that makes property and communities more resilient to the impacts of climate change.[4] In New York and Illinois, climate-related investments in LMI communities are already eligible under the state's CRA. As detailed in a 2021 Industry Letter published by the New York State Department of Financial Services, institutions subject to New York's CRA may receive credit for community development lending or qualified investments related to climate mitigation and adaptation.[5] In Illinois, climate-related product offerings and investments targeted towards LMI communities, including those related to climate resilience and mitigating environmental harm, are included as examples of community development activities eligible for credit under the state's CRA rule.[6]

Connecticut's state CRA directs the Department of Banking to assess community reinvestment performance "utilizing the applicable methodology set forth in federal CRA."[7] There are numerous ways that banks can receive positive consideration for climate mitigation and adaptation financing under the federal CRA regulations in place since 1995. For example, the agencies have explicitly identified financing of "renewable energy, energy-efficient, or water conservation equipment" as CRA-eligible community development if "the benefit from the energy generated is provided to an affordable housing project or a community facility that has a community development purpose."[8] Other examples include financing that helps meet "essential community needs" such as "a new or rehabilitated flood control measure, such as a levee or storm drain, that serves the community, including low- and moderate-income residents," as well as financing of community development financial institutions (CDFIs) that help property owners

[3] Brooklyn Montgomery and Monica Palmeira, Bluelining: Climate Financial Discrimination on the Horizon, The Greenlining Institute (Aug. 2023).
[4] Examples of climate mitigation investments include but are not limited to investments in rooftop or community solar solar, heatpumps, appliance electrification, and energy efficiency upgrades. Examples of climate adaptation investments include but are not limited to investments in flood mitigation, home hardening, and greening infrastructure.
[5] New York State Department of Financial Services, Industry Letter: CRA Consideration for Activities that Contribute to Climate Mitigation and Adaptation, (Feb. 9, 2021).
[6] 38 Ill. Admin. Code *§ 345* APPENDIX C
[7] Sec. 36a-32. (Formerly Sec. 36-52c). Assessment of banks. Factors to be considered. Community reinvestment performance evaluation.
[8] Community Reinvestment Act; Interagency Questions and Answers Regarding Community Reinvestment; Guidance. Federal Register / Vol. 81, No. 142 / July 25, 2016 / Rules and Regulations. §ll.12(h)—1. This was provided as an example of community development loans. However, the guidance also notes that examples provided of community development loans would also qualify as investments or services. See §ll.12(g)—4

pay for energy efficiency and clean energy upgrades.[9] Furthermore, banks would also receive positive consideration on the lending test for direct loans to LMI households or small businesses in LMI census tracts, to improve the energy efficiency of their homes or businesses.[10]

Clarifying that climate mitigation and adaptation activities are eligible for positive consideration under Connecticut's CRA is well within the Department of Banking's authority. It would not subject covered institutions to any new requirements; instead, it would provide further detail on the types of activities covered institutions can pursue for CRA credit. This can be communicated to covered institutions through an industry letter or guidance and does not require amending the state's CRA rule.

Connecticut has made addressing climate change a priority. The state has set science-aligned emissions reduction milestones, including a commitment to achieving net-zero emissions by 2050 and prioritized green economic development and building climate resilience.[11] Including climate change-related financings as eligible for CRA credit will support the state's emissions reduction and climate resilience goals and incentivize extending needed investment to the LMI communities and communities of color most impacted by climate change.

Thank you for your attention to this important issue. We welcome the opportunity for further engagement on this topic and collaboration with the Department to address climate change-related impacts to communities in Connecticut.

Sincerely,

Americans for Financial Reform Education Fund
Building Neighborhoods Together
Center for International Environmental Law
Connecticut Citizen Action Group
CT Coalition for Economic and Environmental Justice
Greater Bridgeport Community Enterprises
National Community Reinvestment Coalition
Natural Resources Defense Council
Neighborhood Housing Services of New Haven
NEST

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[9] Ibid. §ll.12(g)(4)(iii)—4 and §ll.12(h)—1
[10] Community Reinvestment Act Regulations. Federal Register / Vol. 60, No. 86 / May 4, 1995 / Rules and Regulations. § 25.22 for OCC regulated institutions. § 228.22 for Federal Reserve regulated institutions. § 345.22 for FDIC regulated institutions.
[11] An Act Concerning the Protection of the Environment and the Development of Renewable Energy Sources and Associated Job Sectors, No. 5004, 115th Gen. Assem., 1st Sess. (Conn. 2025).

New London Homeless Hospitality Center
North Hartford Partnership
Public Citizen
Sierra Club Connecticut Chapter
The Greenlining Institute
Third Act CT