Summary of Key Objectives of the Interagency CRA Proposal

May 2022

The Community Reinvestment Act (CRA), enacted in 1977, is one of the seminal laws enacted to address systemic inequities in access to credit. The purpose of the CRA is to encourage federally insured banks to help meet the credit needs of the communities in which they do business, including low- and moderate-income (LMI) communities, consistent with safe and sound operations.

The Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency recognize that CRA regulations must evolve to address the significant changes in the banking industry that have taken place since the last substantive interagency updates in 1995 and 2005.

Building on previous regulatory actions, feedback from stakeholders, and research, the agencies seek comment on a proposal to update CRA regulations with eight key objectives:

1. Strengthen the achievement of the core purpose of the statute.
2. Adapt to changes in the banking industry, including mobile and online banking.
3. Provide greater clarity and consistency in the application of the regulations.
4. Tailor performance standards to account for differences in bank size, business model, and local conditions.
5. Tailor data collection and reporting requirements and use existing data whenever possible.
6. Promote transparency and public engagement.
7. Ensure that CRA and fair lending responsibilities are mutually reinforcing.
8. Create a consistent regulatory approach among all three banking agencies.

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1. Strengthen the Achievement of the Core Purpose of the Statute

The proposal seeks to ensure that the CRA continues to be a strong and effective tool to support a robust and inclusive financial services industry. To achieve this objective, the proposal

- **evaluates bank engagement across geographies and activities**
  - Under the proposal, the agencies would conduct separate assessments of large bank activities using four tests: 1) retail lending, 2) retail services and products, 3) community development financing, and 4) community development services.
  - It proposes a comprehensive evaluation of large bank retail lending—where banks have branches, where they have concentrations of mortgage and small business loans outside of their branch networks, and outside retail lending at the institution level.
  - It proposes a comprehensive evaluation of large bank community development financing performance—both within a bank's branch network and outside these areas, as part of state, multistate metropolitan statistical area, and institution-level ratings.
- **promotes financial inclusion**
  - It proposes to strengthen provisions to support investments, loans, and other activities undertaken in cooperation with minority depository institutions, women's depository institutions, low-income credit unions, and Treasury Department-certified community development financial institutions, all of which have a history of meeting the credit needs of LMI and minority communities.
  - It proposes clarifying eligible community development activities, including activities in Native Land Areas and in non-metropolitan areas.
  - It proposes impact review factors for community development activities, such as activities in persistent poverty counties and activities that support small business or farms with annual revenues of $250,000 or less.
  - It proposes to evaluate responsive credit products consistent with safe and sound lending for all large banks.
  - It proposes to evaluate digital and other non-branch delivery systems, and deposit products responsive to the needs of LMI communities for large banks with assets of over $10 billion.
- **provides for HMDA data disclosures**
  - It proposes to provide additional information to the public in CRA performance evaluations for large banks, for disclosure purposes only, by leveraging existing data available under the Home Mortgage Disclosure Act (HMDA). Under the proposal, the agencies would publish existing HMDA data on home mortgage loan originations and applications by borrower race and ethnicity in each of a bank's assessment areas, which would increase the transparency of a bank's mortgage lending operations.

2. Adapt to Changes in the Banking Industry, Including Mobile and Online Banking

The proposal recognizes the significant changes in how banking services are delivered, including through the use of internet and mobile banking and hybrid models that combine physical footprints with online lending. To achieve this objective, the proposal

- **updates assessment areas while maintaining a focus on branch-based assessment areas**
  - It proposes to update CRA assessment areas to capture the activities of banks where they do business outside of branch networks, while also maintaining a focus on branches given their importance to individuals and communities.
- **establishes a tailored assessment area approach**
  - The proposal differentiates between where banks will be assessed for retail lending activities and community development financing. The proposal would create new retail lending assessment areas for large banks based on concentrations of bank mortgage and small business lending outside of facility-based assessment areas. Additionally, the proposal provides greater certainty for community development financing conducted outside of facility-based assessment areas while maintaining expectations in each of a bank's facility-based assessment areas.

3. Provide Greater Clarity and Consistency in the Application of the Regulations

The proposal addresses feedback on the need for more clarity and consistency in the application of CRA regulations. To achieve this objective, the proposal

- **introduces the use of standardized metrics in CRA evaluations**
  - These proposed metrics would allow banks to assess their own performance relative to published benchmarks on an ongoing basis. Benchmarks would be tailored to local market conditions and are intended to adjust to reflect changes over the business cycle.
- **clarifies eligible CRA activities focused on LMI communitiesand non-metropolitan communities**
  - While retaining a focus on LMI communities, the proposal seeks to provide greater certainty about qualifying community development activities, including through the proposed publication of an illustrative and non-exhaustive list of qualifying community development activities and through a proposed confirmation process.
  - The proposal includes provisions specific to bank lending and services in rural areas and Native Land Areas; and seeks to clarify and broaden eligibility for bank community development service activities in non-metropolitan counties.
  - It clarifies eligible activities for naturally occurring affordable housing and economic development activities.

4. Tailor Performance Standards to Account for Differences in Bank Size, Business Model, and Local Conditions

The proposal is tailored to differences in bank size and business models. To achieve this objective, the proposal

- updates asset size thresholds for small, intermediate, and large banks to account for changes in the banking industry;
- allows small banks to choose whether to have their retail lending activities evaluated under the current framework or opt into the new framework. Small banks that elect the new framework would be assessed solely under the new Retail Lending Test;
- evaluates intermediate banks under the new Retail Lending Test and the status quo community development evaluation approach, with the ability to opt-in to the new Community Development Financing Test;
- evaluates large banks on four performance tests to assess their activities in retail lending, retail services and products, community development financing, and community development services. It proposes a tailored approach to the Retail Services and Products Test for banks with assets of $10 billion or less. Wholesale and limited purpose banks would continue to be evaluated for their community development financing activities; and
- maintains the option for banks of any size to seek approval for evaluation under a strategic plan and would introduce more specific criteria to ensure that banks evaluated under an approved strategic plan are meeting their CRA obligation to serve LMI individuals and communities.

5. Tailor Data Collection and Reporting Requirements and Use Existing Data Whenever Possible

The proposal seeks to strike an appropriate balance between providing greater clarity and consistency in how banks are assessed by establishing the use of standardized metrics for certain banks and tailoring the associated data collection and reporting requirements. To achieve this objective, the proposal

- includes proposed metrics that would rely, to the greatest extent possible, on data banks already maintain or collect;
- proposes to exempt small and intermediate banks from new data collection requirements; and
- limits certain data collection and reporting requirements only to large banks with assets of over $10 billion. Large banks with assets of over $10 billion would have data requirements for deposits data, retail services data on digital delivery systems and responsive deposit products, and community development services data.

6. Promote Transparency and Public Engagement

The proposal recognizes that transparency and public engagement are fundamental aspects of the CRA evaluation process. To achieve this objective, the proposal

- notes that the agencies intend to gather feedback from the public on community credit needs and opportunities in specific geographies,
- proposes to codify the practice of forwarding all public comments received by the agencies regarding a bank's CRA performance to the bank, and
- seeks feedback on publishing retail lending and community development financing metrics and branch distribution information in advance of an examination to provide additional information to the public.

7. Ensure that CRA and Fair Lending Are Mutually Reinforcing

In meeting the credit needs of their entire communities, banks must do so in a fair and equitable manner. The proposal ensures that bank assessment areas are prohibited from reflecting illegal discrimination or arbitrarily excluding low- or moderate-income census tracts.

8. Create a Consistent Regulatory Approach among All Three Banking Agencies

The proposal reflects a unified approach from the three banking agencies, which have considered and incorporated feedback from stakeholders as provided in meetings, roundtables, and comment letters on prior agency actions. The agencies will continue to seek and consider the views of the public and will work together on consistent implementation of a final rule.

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