

Fact Sheet on the Community Reinvestment Act Advance Notice of Proposed Rulemaking

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Board of Governors of the Federal Reserve System

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The Community Reinvestment Act (CRA) is a seminal piece of legislation enacted to address systemic inequities in access to credit as part of a reinforcing set of laws to expand financial inclusion and combat redlining. The CRA ensures that federally insured banks and institutions meet the credit needs of the communities in which they are chartered and remains as important as ever in today's circumstances. To ensure its continued effectiveness, the CRA regulations must evolve. Building on ideas advanced by stakeholders, the Board seeks comment on an approach to modernize the CRA by strengthening, clarifying, and tailoring the CRA regulations to reflect the current banking landscape and better meet the core purpose of the CRA. It has been 25 years since the last significant revision to the CRA regulation, so it is important to take the time to get reform right and ensure broad support.

The ANPR seeks to better meet the CRA's core purpose to address inequities in credit access for LMI communities and ensure an inclusive financial services industry by

- **Strengthening regulations to ensure that the wide range of LMI banking needs are being met.** Given stakeholder feedback on the importance of both retail and community development activities, the ANPR proposes assessing large retail banks using a Retail Test and a Community Development Test with separate financing and services subtests. Separate assessments of retail lending, retail services, community development financing, and community development services will support robust bank engagement with communities through a variety of channels.
- **Promoting financial inclusion.** In considering how the CRA's purpose and history relate to the nation's current challenges, the ANPR seeks feedback on what modifications and approaches would strengthen the CRA in addressing systemic inequities in credit access for minority individuals and communities. To strengthen the CRA's role in financial inclusion, the ANPR proposes special provisions for minority depository institutions as well as women-owned financial institutions and low-income credit unions; seeks feedback on additional incentives for financing community development financial institutions; and recognizes that fair lending is an important part of meeting communities' credit needs. It also specifies that banks could receive special CRA credit for activities in areas with unmet needs outside of assessment areas, such as in Indian country.
- **Addressing changes in the banking industry.** In the 25 years since the CRA regulation has been substantially revised, the banking landscape has changed, and reliance on mobile and internet banking has increased. The ANPR proposes to modernize CRA assessment areas, while still maintaining a focus on branches, given their importance to individuals and communities.

The ANPR seeks to provide more certainty and consistency, tailor regulations, and minimize burden by

- **Bringing greater clarity, consistency, and transparency to tailored performance evaluations.** Responding to calls for greater certainty regarding how banks are assessed and rated, the ANPR introduces a metrics-based approach. These metrics are tailored to local market

conditions and adjust automatically to reflect structural economic differences and changes over the business cycle.

- **Minimizing data collection and reporting burden.** The ANPR seeks comment on how to strike an appropriate balance between providing greater certainty in how banks are assessed through increased use of metrics and minimizing the associated data collection and reporting burden. In an effort to reduce burden and cost, the proposed metrics would rely to the greatest extent possible on existing data and exempt small banks from deposit and certain other data collection requirements.
- **Tailoring performance evaluations to bank size and business models and local conditions.** The ANPR would allow small retail banks to choose whether to be evaluated under the current framework or under the new framework. Small retail banks that elect the new framework, would be assessed solely under a Retail Lending Subtest, unless they elect to have other activities considered. Wholesale and limited purpose banks would be evaluated only under the Community Development Test, and the ANPR would solicit feedback on whether wholesale and limited purpose banks should have the option to be evaluated under a nationwide assessment area approach.
- **Clarifying and expanding eligible CRA activities focused on LMI communities.** While retaining a focus on LMI communities, the ANPR would increase certainty about qualifying community development activities, including through the publication of an illustrative and non-exhaustive list of qualifying activities and through a pre-approval process.
- **Recognizing the special circumstances of small banks in rural areas.** The ANPR provides small banks in rural areas greater clarity and flexibility in tailoring the facility-based assessment area definition. The ANPR proposes to provide greater clarity that a small bank would not be required to expand the delineation of an assessment area to include parts of counties where it does not have a physical presence and where it either engages in a de minimis amount of lending or there is substantial competition from other institutions, except in limited circumstances. In addition, the ANPR proposes to revise the definition of community development services to include a wider range of volunteer activities that support local individuals and communities to address the particular needs of rural areas.

The ANPR seeks to provide a foundation for the agencies to converge on a consistent approach that has broad support among stakeholders by

- **Building on stakeholders' support.** The ANPR incorporates views from external stakeholders provided in meetings, roundtables, and comment letters as well as from all three of the banking regulatory agencies responsible for administering the CRA.
- **Working toward a consistent approach.** Stakeholders have expressed strong support for the agencies to work together to modernize CRA. By reflecting stakeholder views and providing an appropriately long period for public comment, the ANPR advances the goal of building a foundation for the banking agencies to converge on a consistent approach that has the broad support of stakeholders.
- **Continuing to engage.** The Federal Reserve will continue to seek the views of all stakeholders throughout this process.

