

Issue Update

There is broad agreement that regulations implementing the Community Reinvestment Act (CRA) are outdated and need to be modernized. CRA has become bogged down in regulatory uncertainty and complexity, which hinders—not helps—community reinvestment.

The OCC issued an Advance Notice of Proposed Rulemaking (ANPR) seeking comment on the best ways to update the regulatory framework for CRA. The comment period closed on November 19, 2018. The OCC and the bank regulatory agencies are reviewing the comments with the goal of jointly issuing a proposed rule in 2019.

Why it Matters To Your Community

This effort has the potential to significantly benefit communities across the country by removing red tape that disincentivizes investment in neighborhoods and communities that need it most.

What We Are Asking

- **Collaborate Across Agencies.** The prudential banking regulators should work to issue a proposed rule based on feedback received from the ANPR.
- **Provide Certainty Re Qualifying Activities.** Regulators should publish an illustrative list of CRA-qualifying activities and establish a process by which banks can request confirmation of CRA eligibility in advance. Regulators should also establish a CRA “sandbox” where banks can pilot CRA initiatives.
- **Stay True to the Spirit of CRA.** Too often, banks do not receive credit for loans and investments that are not “targeted to” LMI populations. This is detrimental to small cities and towns that need access to improved infrastructure, transportation, and other community services. In these areas, community initiatives must benefit every income strata—they cannot be targeted to LMI individuals.
- **Broaden the Reach of CRA.** Regulators should re-evaluate what qualifies for CRA credit. For example, CRA’s treatment of small business lending is too restrictive and is ripe for reconsideration.
- **Modernize the Assessment Area Concept.** CRA reform must adhere to the purpose of CRA while recognizing efforts by banks to provide funding in geographies that have a demonstrated need. CRA regulations should take into account how banks and customers use technology to conduct business.
- **Consider Changing Market Conditions.** We are interested in the concept of establishing a CRA ratio to quantify a bank’s CRA performance. However, we have questions regarding how the ratio would be calculated and how it would apply during changing economic conditions. The performance context should continue to be a key consideration when evaluating a bank’s investment in its