



Summary of Proposal to Modernize Community Reinvestment Act Rules

The Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) are soliciting comment on a proposal to modernize Community Reinvestment Act (CRA) regulations by clarifying what counts, updating where activity counts, measuring performance more objectively, and making reporting more timely and transparent.

The proposed rule would apply generally to all insured depository institutions regulated by the OCC and the FDIC, including national banks, state-chartered banks that are not members of the Federal Reserve System, and federal and state savings associations (banks). These banks conduct approximately 85 percent of all CRA activity across the country. The proposed rule is intended to encourage covered institutions to better serve their communities, including low- and moderate-income (LMI) neighborhoods by increasing lending, investment, and services in areas that need it most.

Clarifying What Counts

The proposal would clarify what qualifies for CRA credit by requiring regulators to develop, publish, and maintain a publicly available list of pre-approved CRA activities. The list would be illustrative, not exhaustive, and would be updated regularly. The proposal would establish a process for stakeholders to submit additional items for inclusion on the list.

Updating Where Activity Counts

The proposal would update where activity counts today by preserving the current approach of evaluating CRA activity in geographies surrounding headquarters, branches, and deposit-taking ATMs as well as areas where banks conduct a significant volume of retail lending. In addition, the proposal would require banks to designate additional assessment areas where they draw a significant portion of their deposits, if outside their facility-based assessment areas.

Measuring CRA Performance More Objectively

The proposal would measure CRA performance more objectively by assessing the distribution and the impact of a bank's CRA activity. The proposal would require examiners to assess what portion of a bank's retail lending is targeted to LMI individuals and areas within their assessment areas and to evaluate the impact of that activity by comparing the ratio of the value of all of a bank's CRA activity (lending, investment, and services) divided by its retail deposits to an objective benchmark in each assessment area and at the overall bank level. These two measures for distribution and impact would establish a bank's presumptive rating, which an examiner would adjust using her judgment regarding performance context and considering evidence of discriminatory or other illegal credit practices.

Making Reporting More Transparent and Timely

The proposal would make reporting more transparent and timely by making evaluations more objective, providing clearer definitions of qualifying activities and data elements, clarifying

recordkeeping requirements for banks, and establishing standardized reporting for banks. Stakeholders would have access to annually reported data to assess industry trends and individual bank progress. More objective measures would focus examinations on validating data submission and bank processes, applying performance context, and considering discriminatory or other illegal practices in assigning a final rating. Performance Evaluations could be streamlined, which would reduce the time required to produce these reports.

Encouraging More Lending, Investment, and Services

The proposal would encourage more lending, investment, and services by clarifying and expanding the types of activities that qualify and objectively measuring their value.

Reducing CRA Deserts and Hot Spots

The proposal would help reduce CRA deserts and hotspots by clarifying when banks can receive credit outside their CRA assessment areas, requiring banks to designate additional assessment areas where they have concentrations of deposits outside their facility-based assessment areas, and providing banks more flexibility to serve areas with identified needs, including in LMI census tracts, distressed areas, underserved areas, and Indian country.

Focusing on LMI Individuals and Areas

The proposal would increase the focus on LMI individuals and areas by evaluating what portion of a bank's retail activity targets LMI individuals and areas and by providing credit for certain activities to LMI borrowers or certain activity in LMI areas.

Preserving Branches While Embracing Changes in Delivering Bank Services

The proposal preserves the importance of branches, particularly in LMI areas, by retaining the existing approach to designating assessment areas around branches and providing banks credit for the portion of their branches that are in LMI areas within their assessment areas. At the same time, the proposal would support the evolution of banking services by requiring banks that draw a significant portion of deposits from outside their branch-based assessment areas to designate additional assessment areas where they have a concentration of deposits.

Increasing Support for Small Businesses and Small Farms

The proposal would increase support for small businesses and small farms by raising the eligible size of loan that qualifies as a small business loan or small farm loan in LMI areas and indexing that ceiling to inflation going forward. The proposal would also provide credit to banks for certain lending to family farms regardless of the location of the farm.

Increasing Support to Rural and Underserved Areas

The proposal would increase support to rural and underserved areas by articulating specific criteria for qualifying community development activities, providing credit for family farms, and providing credit for certain activities that serve areas in need of financial services (including LMI communities, rural and urban areas, and areas targeted by a federal, state, local, or tribal government for development).

Provide Flexibility to Small Banks

The proposal also would provide an opt-in for small banks to allow banks to determine whether to be evaluated under existing criteria or the revised framework based on their unique business models.

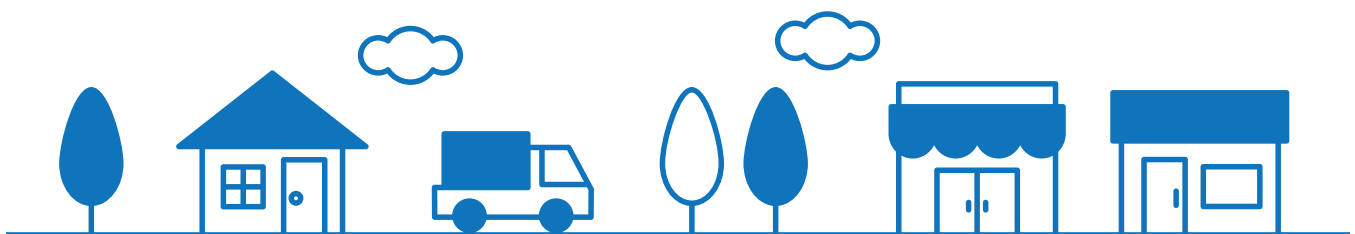
Community Reinvestment Act Fact Sheet

Facts about proposed changes to the Community Reinvestment Act Regulations



Community Reinvestment Act (CRA) regulations haven't been updated since 1995, but consumers bank differently today, and the banking industry has changed a lot.

- The OCC's goal is to strengthen the CRA by updating its rules. The proposed CRA rules would encourage more investment, lending, and services in the communities that need it most.
- The CRA proposal would improve the CRA regulation by:
 1. **Clarifying** what counts for CRA credit
 2. Updating **where** bank activity counts
 3. **Evaluating** CRA performance more **objectively**
 4. Making CRA **reporting more transparent and timely**
- The proposed rules would expand the types of activities that count toward CRA credit. This expansion will encourage more capital, investment, lending, and services in LMI, rural, and distressed communities.
- The CRA proposal would provide clear standards for banks regarding what counts for CRA credit, removing the guesswork. Community advocates and banks will be able to plan activities without the risk of not receiving credit.
- The proposal creates a fair system for evaluating the way banks distribute retail loans in their assessment areas, and the impact CRA activities have on the community.
- The CRA proposed rule would encourage banks to better serve areas like rural communities, areas identified for aid, distressed areas, and Indian Country.



- New CRA rules would support small businesses. The proposed CRA rules would increase the eligible size for small business loans and encourage more economic development and job creation.
- Proposed CRA rules would compare each bank's results with a new standard. The rule considers the quality and quantity of a bank's CRA performance and avoids judging banks on a single metric.
- New CRA rules would support America's farmers. The proposed CRA rules would increase the eligible size for small farm loans, which encourages economic opportunity and helps U.S. agriculture survive.
- The proposed CRA rules would encourage banks to make long-term investments to support community development by evaluating on-book activities versus just new activity. This provides greater stability for community development.
- The new CRA rules would fight displacement and harmful gentrification by focusing lending, investment, and services to LMI individuals and communities.
- Bank branches are still important! The proposed CRA rules would help preserve branches, particularly in LMI areas, by providing more credit for branches and evaluating CRA activity around branches.



- To update the CRA, the OCC gathered feedback from stakeholders and held interagency discussions. The proposal reflects the years of feedback and months of agency discussions.
- The proposed CRA rules would preserve community voices and maintain a way for citizens to provide comments on their banks to regulators. Communities will always have a place to share concerns with bank examiners.
- Stakeholders are encouraged to read the proposal and submit their comments. The OCC hopes to issue the final rule in the first half of 2020.
- Visit www.occ.gov/cra for more information.