Office of the Comptroller of the Currency

Washington, DC 20219

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.