

# Community Reinvestment Act (CRA)

## *Notice of Proposed Rulemaking (NPR)*

Update, summary, and the consequences for community developers.

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# Agenda

- **Proposed Rule Overview**
- **Consequences for community development organizations**
- **NACEDA Priorities**
- **Questions**
- **Submitting a letter**

# Community Reinvestment Act

## Process and timeline

- Advance Notice of Rulemaking (ANPR) was early 2021
- Proposed rule (NPR) on
- May 5, 2022
- 90 comment period
- Write your own letters

# Key Questions

## Current

- Can race and ethnicity of borrowers and beneficiaries be explicitly considered as part of a CRA exam?
- How can assessment areas account for internet banking and changes in the banking industry?
- Can non-bank lenders be subject CRA exams?
- How does the rule balancing objectivity with demonstration of impact?
- How can the rule retain/enhance the community's role in CRA?
- Can the role of local community development organizations in CRA be clarified/retained?

# Current vs. Proposed

## Current

## Proposed

<b>Lending, Investments, Services Tests</b>	<b>Retail Lending, Retail Services, Community Development Finance, Community Development Services</b>
<b>Large, Intermediate small bank (ISB), small bank</b>	<b>Large (&gt;\$10b), Intermediate, small bank</b>
<b>Assessment areas around branches only</b>	<b>Facility-based AA, retail assessment areas for large banks and optional for intermediate banks</b>
<b>Eligible community development activities at examiner discretion</b>	<b>Non-exhaustive list of activities, pre-approval process</b>

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# Bank size/Tests

## Bank size

## Tests

<b>Large Banks over \$10b</b>	<b>Retail Lending, Retail Services, Community Development Finance, Community Development Services, additional data collecting requirements</b>
<b>Large Banks under \$10b</b> <i>At least \$2b</i>	Retail Lending, Retail Services, Community Development Finance, Community Development Services
<b>Intermediate Banks</b> <i>At least \$600m</i>	Retail Lending, Community Development <i>status quo</i> <b>OR</b> Finance Test
<b>Small Banks</b>	<i>Status quo</i> <b>OR</b> Retail Lending Test

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# Community Impacts

## Asset Threshold Changed

- Increased by \$254 million for small banks
- Increased by 1.4 billion for intermediate small banks (ISB)

## Banks Reclassified

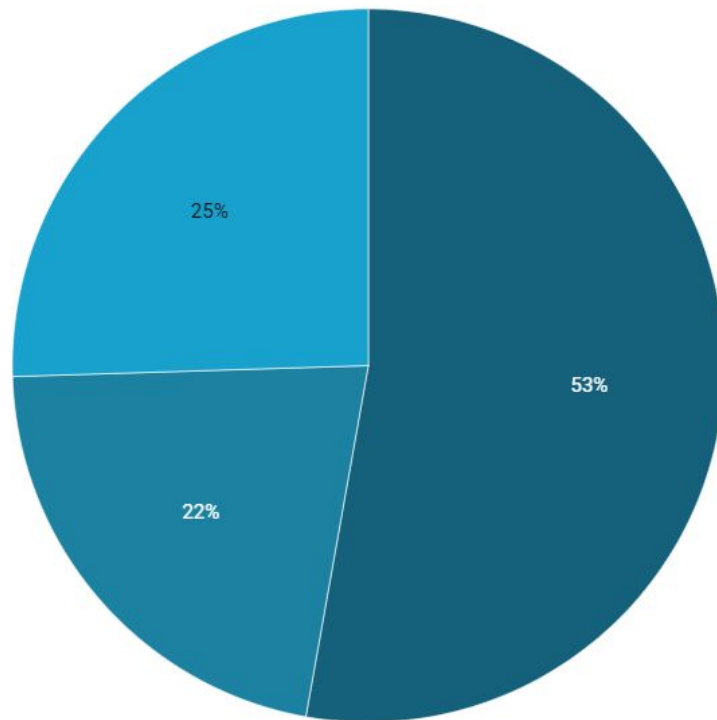
- 765 banks reclassified from ISB to small
- 201 banks reclassified from Large to ISB

## Community Impacts

- Loss of \$1.2B+ in CD Financing
- ISBs no longer required to report on branching and service provision in LMI communities

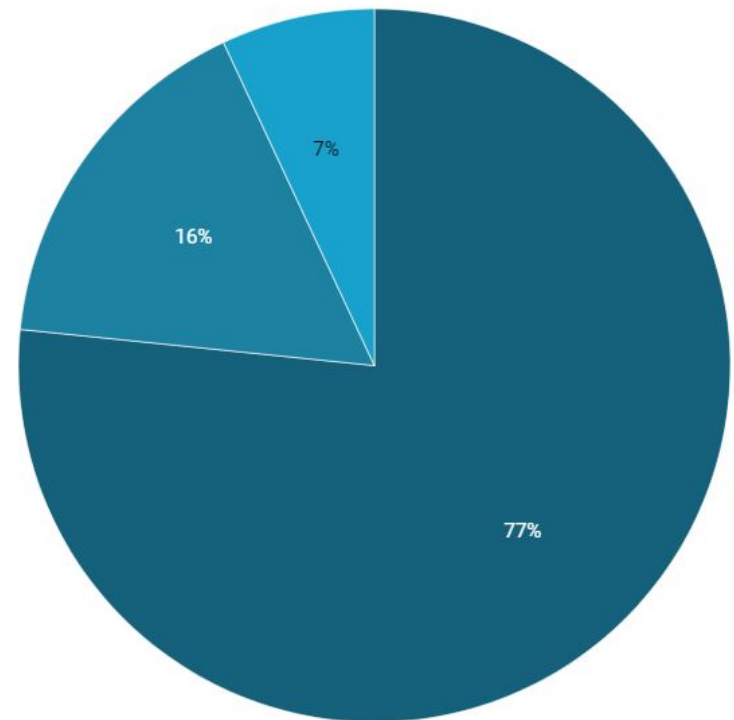
# Disproportionately affects micropolitan and rural areas

Banks that change from Intermediate Small (ISB) to Small or Large to ISB by location type.



ISB to Small

Total:  
765



Large to ISB

Total:  
201

Metropolitan Areas Micropolitan Areas Rural



# Assessment areas

## Current

## Proposed

Branch-only assessment areas	“Facility-based” assessment areas (branches)
	Large Banks: retail lending assessment areas in areas at least 100 mortgages or 250 small biz loans, whole MSAs or states, <u>no community development test</u>
	CD investments eligible outside of assessment areas

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# Eligible Activities

## Current

## Proposed

<p><b>Examiner discretion on approved activities</b></p>	<p><b>“Illustrative” List: affordable housing; small business investments and TA; economic development; community support services: counseling, workforce, etc.; revitalization/stabilization: inf, community facilities, disaster recovery/climate, etc.</b></p>
	<p>Impact Review Factors: Persistent poverty, Activities targeted under 50% AMI, Biz/Farm under &lt;\$250k, High opportunity affordable housing, native communities, grants, bank leadership/complexity/leadership</p>
	<p>Pre-approval process open to banks; CDFIs/MDIs; Native Land Areas</p>

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# Community Development Finance Test

## Current

## Proposed

Examiner discretion determines how much is “enough”	“Dashboard of metrics” at AA, MSA, State, Institution, National Levels. Compares to peers, past performance.
Qualitative Impact Largely Up to Examiners	Impact review factors are unclear
Grants, loans, investments each Qualitative Impact Largely Up to Examiners considered as separate metrics	(Lending + Investments)/deposits. # of transactions doesn't seem to be considered

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# Community Development Services Test

## Current

## Proposed

Examiner discretion determines how much is “enough”	Qualitative review: hours/employee, type of services, community responsiveness, job title matters, #LMI people served
Eligible services must be community development or financial services	Mostly retained. However, non-MSAs eligible activities are expanded to include non-financial services.

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# Primary Areas for Improvement

1. The NPR does not go far enough to explicitly consider bank activity by race and ethnicity of bank customers and communities.
2. The asset categories proposed (large, intermediate, small) will notably reduce community development financing, particularly in rural areas and small cities.
3. The newly formed “Retail Lending Assessment Areas” must be subject to a community development financing test.

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# Primary Areas for Improvement

4. Regulators should give more consideration and acknowledgement to banks that utilize effective, creative, and exemplary local community engagement strategies.
5. We encourage regulators to begin thinking now about how to roll out a new rule to stakeholders, in addition to banks.
6. The community development financing test for intermediate banks must be required, not optional.

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# Primary Areas for Improvement

7. The NPR does not do enough to clarify the role of community-based development organizations in CRA.
8. Maximize the amount of data that will be publicly available as part of the CRA examination and pre-approval process.

*The proposed rule is a marked improvement over the status quo. However, it's far from ambitious.*



Comments are due to the agencies on August 5, 2022.

Deliver your comment letter separately to each of the three regulating agencies.

**OCC:** Go to this [link](#). After clicking on this link, the user will see a form and can either type in comments directly and/or upload a file.

**FDIC:** Email: [comments@fdic.gov](mailto:comments@fdic.gov). Include RIN 3064-AF81 on the subject line of the message.

**Federal Reserve Board:**

Email: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov). Include docket and RIN numbers (Docket No. R-1769 and RIN 7100-AG29) in the subject line of the message.