



## FACT SHEET | Notice of Proposed Rulemaking on Revisions to the Community Reinvestment Act Regulations

*The Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) published a proposed rule to modernize the regulations implementing the Community Reinvestment Act (CRA).*

**WHY THIS IS NEEDED:** The CRA was enacted in 1977 to encourage banks to help meet the credit needs in their local communities, including low- and moderate-income (LMI) neighborhoods. Because the banking industry has changed dramatically since the law's enactment and because major changes to the regulation were last made in 1995, the current CRA framework has not kept pace with such changes, which can adversely affect the very communities the CRA was intended to protect.

- The proposed rules announced today are intended to address digital banking changes and to further encourage lending to LMI borrowers living in underserved communities, such as rural areas and tribal lands far removed from urban centers where bank branches are concentrated.

**BENEFITS COMMUNITIES ACROSS THE NATION:** The proposal seeks to encourage banks to conduct more CRA activities and to serve more LMI communities, including those areas with the greatest need for financing, investment, and economic development.

- The proposal would expand the scope of activities that qualify for CRA credit. For example, the proposal would provide CRA credit for loans and investments in Indian country, minority depository institutions (MDIs), and community development activity that supports qualified opportunity funds that benefit LMI qualified opportunity zones and increase to \$2 million the size of qualifying loans to small businesses and small farms.

**PROVIDES GREATER CLARITY:** The proposal would clarify the activities that qualify for CRA credit, which will enable banks to plan activities without the risk that such activities will not receive CRA credit.

- The proposal would make the evaluation of CRA performance more objective and standardized by establishing new performance standards based on specific benchmarks and thresholds that would be established prior to the beginning of a bank's evaluation period.
- In addition, the FDIC and OCC would publish an illustrative list of qualifying activities and establish a process for stakeholders to confirm whether an activity would receive CRA credit.

**RECOGNIZES EVOLUTION OF BANKING SYSTEM:** In recognition of the evolution of the banking system, including the emergence of digital banks, the proposal would add a test to determine if banks need to establish additional assessment areas.

- Banks would continue to be required to delineate assessment areas around their main office, branches, and non-branch deposit-taking facilities, but would also be required to delineate additional assessment areas if they receive 50 percent or more of adjusted retail domestic deposits from geographies outside of their facility-based assessment areas.

**TAILORS REQUIREMENTS FOR SMALL BANKS:** The proposal recognizes that complying with the collection, recordkeeping, and reporting requirements under the new performance standards may impose a disproportionate burden on small banks.

- Accordingly, banks with \$500 million or less in total assets would be permitted to opt-in to the new framework or continue to be evaluated for CRA compliance under the existing performance standards, recognizing that the benefit of requiring the data-based approach for small banks may be outweighed by the cost of compliance.

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