



Community Reinvestment Act and Early Care and Education: Connections and Context for the Advance Notice of Proposed Rulemaking for the Community Reinvestment Act

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CRA Modernization Objectives

- Strengthen regulations to better meet the CRA's core purpose to address inequities in credit access for LMI communities and ensure an inclusive financial services industry
- Update standards in light of changes to banking over time, including mobile and internet banking
- Provide greater certainty, tailor regulations, and minimize burden
- Provide a foundation for the agencies to converge on a consistent approach for a modernized CRA that has broad support among stakeholders

Qualifying Activities

Goal: *Increase certainty about what counts for CRA consideration and retain focus on activities that benefit low- and moderate-income communities*

- Clearer definitions of affordable housing, community services, economic development, and revitalization and stabilization.
- Designate certain activities as impactful and responsive, such as housing for very low-incomes households and activities with very small businesses and minority-owned small businesses
- Publication of a non-exclusive illustrative list and a pre-approval process
- Special provisions for minority depository institutions, women-owned financial institutions, low-income credit unions, and CDFIs
- Broaden consideration to retail activities in Indian Country both inside and outside of a bank's assessment area

Qualifying Activities

Economic Development

- How could the definition be revised to provide incentives for engaging in activity with smaller businesses and farms and/or minority-owned businesses?
- Should the Board update the current requirement that small business activities “demonstrate LMI job creation, retention, or improvement”?

Revitalization and Stabilization

- Is there a way to better ensure that activities to “help attract and retain existing and new residents and businesses” benefit LMI individuals and communities, as well as other underserved communities?
- How should an updated CRA exam incorporate larger “essential community needs and infrastructure” investments (e.g. roads and hospitals)?

Qualifying Geographies

Goal: *Increase certainty as to where activities will be assessed and expand where activities will receive CRA consideration to foster financial inclusion*

- **Eligible states, territories, and regions**
- **Seeks feedback on expanding CRA consideration to designated areas of need:**
 - Economically distressed rural or metropolitan areas
 - Areas where the community development financing metric is below an established threshold
 - Areas that have low levels of home mortgage lending or small business loans as identified by lending data
 - Areas with limited bank branches or ATMs
 - Indian Country
 - Appalachia
 - The Mississippi Delta
 - Colonias areas

Qualifying Geographies

Designated Areas of Need

- Should the Board expand the geographic areas for community development activities to include designated areas of need?
- In addition to the potential designated areas of need identified, are there other areas that should be designated to encourage access to credit for underserved or economically distressed minority communities?

Indian Country

- Should CRA consideration be given for retail lending activities conducted within Indian Country regardless of whether those activities are located in the bank's assessment area(s)?
- Should all retail lending activities in Indian Country be eligible for consideration in the Retail Lending Subtest or should there be limitations or exclusions for certain retail activities?

CRA Modernization: Overarching Question

- In considering how the CRA's history and purpose relate to the nation's current challenges, what modifications and approaches would strengthen CRA regulatory implementation in addressing ongoing systemic inequity in credit access for minority individuals and communities?

Evaluation Framework for Large Retail Banks

Goal: *Ensure that the wide range of low- and moderate-income banking needs are met by separately evaluating retail lending, retail services, community development financing, and community development services*

Retail Test



Small retail banks may remain under current framework or may elect to be evaluated under only the Retail Lending Subtest. Can submit retail services activities for optional qualitative review.

Wholesale and limited purpose banks would not be evaluated under the Retail Test.

Community Development Test



Community Development Test would only apply to **large retail banks** and to **wholesale and limited purpose banks**.

Small retail banks can submit community development activities for optional qualitative review.

Comment Period

Goal: *Build a foundation for the banking agencies to converge on a consistent approach that has the broad support of stakeholders*

- **ANPR:** <https://www.federalregister.gov/documents/2020/10/19/2020-21227/community-reinvestment-act>
- **120 day comment period:**
 - Comment deadline is February 16, 2021
- **Instructions on submitting comments (described in ANPR):**
 - **Comment page on Federal Reserve Board website:**
https://www.federalreserve.gov/secure/forms/ElectronicCommentForm.aspx?doc_id=R-1723&doc_ver=1
 - **Email:** regs.comments@federalreserve.gov. Include docket (R-1723) and RIN numbers (7100-AF94) in the subject line of the message.
 - **FAX:** (202) 452-3819 or (202) 452-3102.
 - **Mail:** Ann E. Misback, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue NW, Washington, DC 20551.