For release at 9:10 a.m. EDT
October 24, 2023

Statement on the Community Reinvestment Act Final Rule
by Vice Chair for Supervision Michael S. Barr

Today, the federal banking agencies are acting on a final rule to strengthen and modernize the regulations implementing the Community Reinvestment Act (CRA) and encourage banks to expand access to credit, investment, and banking services in low- and moderate-income communities. I have worked on and written about the role of the CRA in expanding access to credit and financial inclusion for more than a quarter of a century. Thus, it was a privilege to finish the job of leading the Federal Reserve Board's efforts to strengthen and modernize CRA regulations, building on the strong foundation set by former Vice Chair Lael Brainard.

I'd like to thank the staff—those around the table and many others here at the Board and at the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC)—for their long and tireless work to get to this place today. We all owe them our deepest gratitude.

Congress enacted the Community Reinvestment Act in 1977 as one of a set of laws, together with the Home Mortgage Disclosure Act, the Fair Housing Act, and the Equal Credit Opportunity Act, to address redlining, other forms of racial discrimination, and lack of access to credit in low- and moderate-income communities. Fair lending laws and the CRA set the unequivocal standard that there is no place for such discrimination in the financial system, and that borrowers in every community deserve to be treated fairly.

During the first decade or so following CRA's enactment, regulators paid the law scant attention, and there was little progress in expanding credit to low- and moderate-income areas. Regulators and banks generally focused on process-oriented evaluations, such as the time spent at bank board meetings discussing community needs, rather than on results. This began to change at the end of the 1980s. Legislative changes to CRA in 1989 required regulators to publicly disclose the institution's rating and performance evaluation, which used the power of transparency to advance CRA's goals. Also in 1989, a bank regulator for the first time denied an application for a merger based on poor performance under the CRA. The merger denial demonstrated that there could be serious consequences for poor CRA performance.

The CRA regulations were substantially revised in 1995, to develop more objective, performance-based assessment standards that minimize burden while stimulating improved performance. Now, more than 25 years later, we are able to build on the 1995 rule and address concerns aired over the years, including the desire for more clarity and transparency about how retail loans are evaluated, which community development activities are eligible for CRA credit, and when loans and investments can be considered under CRA outside of a bank's branch network.

The final rule is the result of many years of public engagement and several rounds of rulemaking by the Board, FDIC, and OCC. I appreciate the level of engagement from both banks and community and civil rights stakeholders, and the many perspectives we have heard, and listened to, have assisted the agencies in further refining the approach described in the proposed rule from last year. This final rule is a win-win for everyone involved.

The preamble to the final rule sets forth eight objectives that the final rule intends to achieve, and I'll highlight four of these.

First, the revisions strengthen the core purpose of the statute. Under the final rule, the agencies will evaluate bank performance across the varied activities they conduct and in the communities in which they operate so that CRA is a strong and effective tool to address inequities in access to credit. It will also enhance financial inclusion by supporting Minority Depository Institutions and Community Development Financial Institutions, Native Land Areas, persistent poverty areas, and other high-need rural and urban areas all across the country.

Second, the final rule updates our rules for major changes that have occurred in the banking sector since 1995, including mobile and online banking. The rule maintains a focus on evaluating bank performance in areas where banks have deposit-taking facilities, but also enables evaluation of retail lending and community development activities outside of branch networks.

Third, the final regulation provides greater clarity and consistency in application of the regulations. The rule adopts metrics for evaluating retail lending and community development financing, including public benchmarks, for greater clarity and consistency. It also sets clear criteria for community development activities that qualify for CRA credit, adopts a public list of qualifying activities, and sets up a process to confirm an activity's eligibility.

Fourth, the revisions establish tiers for CRA evaluations and data collection based on bank size and type. Small banks would continue to be evaluated under the existing framework with the option to be evaluated under the new framework. The rule also would exempt small and intermediate banks from new data requirements and limits certain new data requirements to banks with over $10 billion in assets.

The final rule takes a critical step forward in modernizing the CRA regulations to help ensure that banks meet the needs of all the communities they serve, consistent with safety and

soundness. As I have said before, fair lending is safe and sound lending, and the CRA regulations we promulgate today will help make the financial system safer and fairer.