Community Reinvestment Act (CRA)

What is the Community Reinvestment Act?

The Community Reinvestment Act (CRA)[1] was enacted by Congress to encourage banks to meet the credit needs of the neighborhoods in which they operate, including low- and moderate-income (LMI) communities. The Federal Reserve System (FRS), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) evaluate how banks are fulfilling the objectives of the CRA.

Examiners from these agencies conduct lending, investment and service tests to evaluate banks' performance in their respective assessment areas. The assessment area is determined based on where banks have branches, deposit taking ATM's or surrounding geographies in which they have originated or purchased loans. All evaluations are customized to reflect the characteristics and asset size of depository institutions.

How does the CRA define low- and moderate-income communities?

CRA classifies as low-income those geographies having a median family income of less than 50% of the area median income, and moderate-income those geographies having a median family income of at least 50% and less than 80% of the area median income. Annual reports on median family income are published by the Federal Financial Institution Examination Council (FFIEC).

In order to receive credit under the CRA, loans, investments and services made by banks must have a primary purpose that generally improves the circumstances for LMI families or individuals, and stabilizes and/or revitalizes their neighborhoods.

Can the public submit comments on banks' performance?

After conducting an assessment of banks' CRA activities, studying factors such as local demographic and economic indicators and talking to community contacts, examiners issue performance ratings. These ratings are considered when banks request to merge with other financial institutions or plan to expand to other locations. The ratings and overall performance evaluations are made available to the public.

The public is encouraged to submit comments on how banks are meeting the credit needs of their communities. These comments are taken into consideration during the bank's next CRA examination. Visit the FRS, FDIC & OCC's CRA websites to submit comments. The public can also reach out to banks' CRA officers to ask about their activities.

[1] The CRA was enacted by Congress in 1977 (12 U.S.C. 2901) and is implemented by Regulation BB (12 CFR 228). The regulation was substantially revised in May 1995 and in August 2005.

How does the CRA define community development activities?

CRA defines the types of activities that may be considered to earn credit for supporting community development. Over the years, this definition has been expanded to reflect the evolution of community needs and changes in the financial regulatory landscape. The Interagency Questions and Answers on Community Reinvestment serves as guidance on how the regulation is interpreted and applied in this field.

Which activities may be considered to support community development under CRA?

Activities that are considered community development according to the CRA include: investments in community services such as affordable housing and child care, revitalization of distressed geographies or designated disaster areas, and promoting economic development by providing financing to small business or farms. For example, consideration for CRA credit is offered to investments in special purpose community development entities (CDEs) and for provision of technical assistance to minority- and women-owned financial institutions and low-income credit unions (MWLIs).

The regulation also includes examples of initiatives that promote permanent job creation, retention and improvement. Regulators have added to the definition of community development activities that incorporate requirements for creating or improving access to workforce development and job training programs for LMI or unemployed individuals.

Which activities may be considered to support financial capability under CRA?

Banks may meet the criteria for CRA consideration in the lending, investment and services tests for offering financial capability programs (i.e. financial education and financial literacy programs). Activities that receive consideration include educational programs for LMI individuals or loans and investments that incorporate a financial capability component.

Test	**Examples**
Lending	Small loan program that requires participants to take a class on how to avoid predatory lending
Investment	Investments in nonprofit organization offering credit counseling to families in debt
Services	Activities that support efforts by MWLI to provide financial education to Individual Development Accounts (IDA) accountholders

Resources

Federal Financial Institutions Examination Council (FFIEC) CRA resources page: www.ffiec.gov/cra

Federal Reserve Board of Governors CRA resources page: www.federalreserve.gov/communitydev/cra_about.htm

Getter, Darryl E. "The Effectiveness of the Community Reinvestment Act." Congressional Research Service. 2015.

Interagency Questions and Answers on Community Reinvestment. Federal Register, Vol. 81, No. 142, July 25, 2016.

Federal Reserve Bank of San Francisco. "What is the Community Reinvestment Act?" YouTube video. Duration 7:26. Posted on August 21, 2015. www.youtube.com/watch?v=rdOpsTLvbeY