

Press Release



Modernizing the Community Reinvestment Act—a New Proposed Rule

ANGELA KUCK | MAY 10, 2022

The Community Reinvestment Act (CRA), a 1977 law designed to promote financial inclusion by requiring banks to provide services to low- and middle-income communities, will finally get a much-needed facelift. In a new insight, Director of Financial Services Policy Thomas Wade provides the highlights of the long-awaited proposal for reform, and notes that the proposed modernized CRA would, among other things, support electronic banking, but create new administrative burdens for some banks.

He concludes:

Significant research and years of development have resulted in a CRA proposal that finally reflects the reality of modern banking. While retaining the emphasis on physical bank branches in underserved neighborhoods that is at the heart of the CRA, the federal regulators propose to allow banks to additionally receive credit for activities in the areas in which they operate and nationwide. The proposal will transform the opaque and erratic assessment process into a consistent and repeatable metrics-based approach that will be tailored to the size and activities of the banks it covers. The new proposal is at its weakest in the suggested new data collection and disclosure requirements that will impose significant costs particularly on the largest banks, as it is unclear that this enhanced compliance burden will necessarily produce to better outcomes for underserved communities. At the very least, however, the efforts by the regulators will drag the CRA into the 21st century, incentivizing banks to lend to communities that need it most.

[Read the analysis](#)