



Press Release

The Community Reinvestment Act Revisited

PAULINA ENCK | OCTOBER 24, 2023

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 – is undergoing an update in a joint-agency final rule to provide greater clarity and consistency to the CRA assessment process. In a new insight, Director of Financial Services Policy Thomas Kingsley explains why the update is necessary but may encourage banks to exit lending in underserved communities and would not even cover the majority of credit extensions.

Kingsley concludes:

Federal Reserve Board Member Michelle Bowman criticized the joint-agency proposed rule to update the CRA as overly complex and unnecessary, but only one of these arguments seems clear cut. Clocking in at nearly 1,500 pages, the proposal will apply a significant and costly compliance burden on banks of all sizes. Less obvious is Bowman’s charge that revisions to the CRA aren’t necessary, and that the federal agencies have not sufficiently proven that banks aren’t doing enough to meet the credit needs of low-income communities. That the current version of the rule relies on physical bank locations shows it is clearly outdated, and as a measure of success the racial homeownership gap is wider now than in 1968. CRA reform is necessary, and this latest proposal represents the best – and most likely to succeed – effort seen to date. Too little thought, however, seems to have been given to both the unintended results and the cost of the new regime.

[*Read the analysis*](#)