



CBAI Urges Productive Modernization of the CRA

In addition to assisting Illinois community banks dealing with the many challenges of the virus crisis, responding to the regulatory rulemaking process continues. CBAI commented to the regulators on April 7, 2020, about their plans to modernize the Community Reinvestment Act (CRA). The CRA was enacted in 1977 and has not been significantly revised since 1995. The CRA needs to be modernized to reflect new technologies and customer preferences in the delivery of banking services. It is also an opportunity to highlight and retain parts of the Act, identify missed opportunities for additional credit, reduce the regulatory burden on community banks, and include for compliance other financial service providers.

[Read CBAI Comment Letter »](#)

CBAI's comment letter urged:

- **All** financial service providers, including credit unions and Farm Credit lenders, be subject to the CRA. The current regulatory double standard is harming the safety and soundness of the community banks that the Agencies are responsible for regulating.
- Joint rulemaking to agree on a Final Rule to modernize the CRA. The modernization effort will greatly benefit from interagency dialogue, collaboration and joint rulemaking culminating in a joint final CRA rule of high quality and consistency, which will command greater respect, support and legitimacy.
- The regulators give a multiple of CRA credit for loans which provide the greatest benefit to LMI individuals and in LMI areas without discounting the value of lending to certain non-LMI individuals and in non-LMI areas or communities.
- Any CRA-eligible residential mortgage loan that is originated by community banks receive full CRA credit and not be subject to either the 25% or 90-day hold limitation.
- CRA credit for banks investing in (and holding) Mortgage Backed Securities which contain residential mortgages particularly from LMI areas within the banks' Assessment Area **and/or** to LMI individuals. This CRA credit should be ongoing as long as the security is held by the bank and at its full dollar value.

- The enormous positive impact of the FHLBanks (in either a bank's area, community or in the broader state or region [FHLBank district]), and contributions to these beneficial programs are so significant, and made possible by all of the FHLBanks' members, that a reconsideration and/or exception be made so member banks may receive CRA credit **for membership and all activity with their FHLBanks.**
- Activities which assist MDIs and CDFIs, including addressing their capital challenges, be eligible for a multiple of CRA credit.
- Deposits in MWLIs by financial institutions (of any asset size) should be eligible for a multiple of CRA credit.
- Expanded CRA credit for small business and small farm lending, an increase in the loan and revenue thresholds to a minimum of \$5 million, and these thresholds be indexed to inflation thereafter so they remain at the appropriate levels.
- A more transparent process for determining if an activity is eligible for CRA credit and the list of activities be updated and posted on the FDIC's website as new opportunities for CRA credit are approved or denied.
- All banks' community services hours should be eligible for CRA credit if they are performed in the Assessment Area regardless of whether the service was performed in an LMI area or not, including services hours in geographies that are broader than but include the Assessment Area, at a predetermined standard rate with an appropriate multiplier.
- Assessment Area revisions in the CRA should reflect how modern technology is being used in product design and service delivery. Assessment Areas must also be drawn by the community banks and not by the regulators.
- Agencies view the non-traditional delivery of financial services as an additional (incremental) but not superior method of delivering banking services versus brick and mortar home office and branch locations, and a financial institution's presence in an area or community be weighted with a home office receiving the greatest CRA credit, followed by branches, ATMs and then a digital-only presence.
- Caution in the implementation of metric-based scoring system for those banks subject to the general performance standard" and that the Agencies commit to a formal review including public comment on the actual versus planned impact of the Final Rule to assess and promptly correct any legitimate problems that are subsequently discovered.

- Increasing the asset exemption threshold to less than \$5 billion for small banks and greater than \$5 billion large banks. If the Agencies are unwilling to approve these increases and are determined to remove the intermediate small bank category, then the small bank asset threshold should be set at least where it is now (\$1.305 billion) and continue to be indexed to inflation.
- For banks evaluated under the "small bank performance standard," the frequency of the data collection and the recordkeeping and reporting requirements are an unreasonable and unnecessary regulatory burden. The information that is currently being collected is sufficient for all concerned parties (i.e., regulators and communities) to evaluate their CRA performance.
- At a community a bank's option, it be allowed to provide access to the public file containing the required information electronically on the bank's website, so that customers do not have to visit the bank or wait for a copy to be delivered.