May 05, 2022

Statement on Community Reinvestment Act Proposal by Governor Lael Brainard

Today the federal bank regulatory agencies issued a unified proposal to strengthen and modernize the Community Reinvestment Act (CRA) regulation to expand access to credit, investment, and banking services in low- and moderate-income (LMI) communities—communities that have been on the frontlines of the pandemic. It has been our goal to have the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and the Federal Reserve Board (Board) issue a unified proposal reflecting feedback from a wide range of stakeholders. I want to commend staff from all three agencies for their tireless efforts over many months to craft a strong, unified proposal that carefully implements the law. This is the first time in decades we have made substantial changes to the CRA regulation, and it is essential to get reform right.

The CRA is a historic law, enacted along with other complementary federal civil rights laws during the late 1960s and 1970s. The intent of these laws was to address redlining—the process of drawing a red line around entire communities that limited their access to credit—as well as other systemic inequities in access to credit, investment, and banking services faced by LMI and minority communities.

As we saw during the pandemic, financial inclusion is more important than ever. Going into the pandemic, Black families had one-fifth the wealth buffer to fall back on relative to the average American family, and Latino families had less than one-third the average.[1] The pandemic demonstrated clearly the importance of access to financial services for low and moderate income households.[2] While most Americans received their COVID relief payments quickly and without cost through direct deposit into their bank accounts, those without bank accounts had to wait for debit cards or paper checks to arrive by mail, and they often paid costly fees to cash those checks when they did arrive.[3] Similarly, small businesses generally had an easier time accessing Paycheck Protection Program loans if they had an existing relationship with a bank.[4]

The last major revisions to the CRA regulations were made in 1995. The CRA is one of our most important tools to improve financial inclusion in communities across America, so it is critical to get reform right.

Today's proposal seeks to expand access to credit, investment, and banking services in LMI communities. It evaluates bank engagement across geographies and activities in order to ensure the CRA is effective in supporting a robust and inclusive financial services industry.

Second, the proposal adapts to the expanded role of mobile and online banking by updating the approach for where banks are evaluated for their CRA performance. While maintaining a focus on bank branches, the proposal also evaluates large bank performance in areas where they have a concentration of mortgage or small business lending. And it provides certainty that banks can receive CRA credit for eligible community development activities nationwide.

Third, the proposal provides greater clarity, consistency, and transparency in CRA evaluations. It adopts a metrics-based approach to evaluating retail lending and community development financing. It also clarifies eligible CRA activities, including affordable housing.

Fourth, the proposal tailors performance standards and data requirements by bank size. Small banks can continue to have their retail lending activities evaluated under the current framework. The proposal relies on existing data whenever possible, and certain data requirements only apply to banks with assets above $10 billion.

The interagency proposal issued today is a single proposal from all three federal banking regulators. The agencies will consider the views of all stakeholders through the notice and comment process and will continue to work together on consistent implementation of a final rule. We look forward to hearing from stakeholders on how we can work together to support financial inclusion and access to credit in all of America's communities.

1. Neil Bhutta, Jesse Bricker, Andrew C. Chang et al., "Changes in U.S. Family Finances from 2016 to 2019: Evidence from the Survey of Consumer Finances (PDF)," *Federal Reserve Bulletin* 106 (September 2020): 1–42.

2. Federal Deposit Insurance Corporation, "How America Banks: Household Use of Banking and Financial Services (PDF)," FDIC Survey (2019). An estimated 7.1 million U.S. households still lack access to basic banking services and credit and unbanked rates were higher among lower-income households, less-educated households, Black households, Hispanic households, American Indian or Alaska Native households, working-age disabled households, and households with volatile income. According to the FDIC's survey on household use of banking and financial services, "unbanked" is defined as no one in the household had a checking or savings account at a bank or credit union.

3. "People should check Get My Payment for status of third EIP and watch their mail," Internal Revenue Service, last modified January 25, 2022. Brookings Institute, *Economic Impact Payments: Uses, Payment Methods, and Costs to Recipients* (Washington: Brookings Institute, February 2021). A February 2021 Brookings Institute study estimated that approximately 3 million of the nearly 35 million paper checks distributed by the U.S. Department of the Treasury were accessed using a check casher or at a retail store, and that consumers paid approximately $66 million in fees by using check cashers to access these stimulus funds.

4. Haoyang Liu and Desi Volker, "Where have the Paycheck Protection Loans Gone So Far?" *Liberty Street Economics,* May 6, 2020.