



Regulatory Alert

Financial Services Regulatory Insight Center



September 2018

OCC seeks suggestions to modernize the Community Reinvestment Act

Key points

- The OCC has released an ANPR to solicit ideas to revise the regulatory framework for the Community Reinvestment Act; the Federal Reserve and the FDIC have each expressed support for revamping the CRA regulations but did not participate in the ANPR.
- The ideas presented in the ANPR are not specific recommendations but rather are put forward to elicit comment and discussion.

Background

The Office of the Comptroller of the Currency (OCC) has released an advanced notice of proposed rulemaking (ANPR) to “solicit ideas for building a new framework to transform or modernize the regulations that implement the Community Reinvestment Act of 1977 (CRA).” Due to changes in the financial services industry, including the removal of bank interstate branching restrictions and the expanded role of technology, the OCC suggests the statutory purposes of the CRA are “not fully or effectively accomplished through the current regulations” and the “CRA regulatory framework no longer reflects how many banks and consumers engage in the business of banking.”

The agency’s stated goal for the ANPR is “to obtain additional public input on how to revise the CRA regulations to encourage more local and nationwide community and economic development by encouraging banks to lend more to LMI [low-and moderate-income] areas, small businesses, and other communities in financial need.” Without recommending specific changes or considerations, the OCC generally seeks comment on “revising or

transforming” the current regulatory approach to CRA by:

- **Revising the current performance evaluation method** by, for example, implementing an alternative to the existing performance tests or increasing and enhancing the use of metrics within those tests. The OCC invites comment on incorporating factors such as an institution’s asset size, business model, delivery channels, and branch structure into the evaluations as well as incorporating information on a bank’s performance context, such as demographic characteristics and the economic and financial conditions of specific communities, into metrics.
- **Implementing a new metric-based framework** using quantitative benchmarks tied to specific ratings categories. The OCC suggests the aggregate dollar value of CRA-qualified activity could be compared to readily available and objective criteria such as a balance sheet measure (e.g., domestic assets, deposits, or capital) to calculate a percentage ratio that would correspond to a benchmark established for each ratings category. The OCC is seeking input on a variety of issues related to



establishing the metrics and benchmarks including, how this approach could be applied on the basis of business model, asset size, delivery channels, or branch structure; whether to apply weights to different categories of CRA-qualifying activities; and how to account for/quantify certain community development (CD) services.

- **Redefining communities and assessment areas**, such as expanding “community” to include activities provided to “LMI areas outside of a bank’s branch and deposit-taking ATM footprint and other underserved areas,” and expanding “assessment area” to include additional areas tied to the bank’s business operations (e.g., areas where it has a concentration of deposits or loans, nonbank affiliate offices, or loan production offices). The OCC also seeks input on whether some factor should be included to ensure that banks continue to focus CRA-qualified activities in the metropolitan statistical area (MSA) and non-MSA areas in which they have domestic branches before receiving credit for activity outside of those areas.
- **Expanding CRA-qualifying activities** while retaining the focus on LMI populations and

areas. The OCC seeks comment on whether “community and economic development” should be more clearly defined, CD activities should meet specific standards, small business and consumer loans (student, auto, credit card, and small-dollar) should be considered, and whether loans should be considered differently if they are purchased, originated, sold, or held in portfolio.

- **Updating recordkeeping and reporting requirements**, to allow for better tracking and understanding of performance. The OCC suggests a metric-based framework would be more straightforward and timely but may also require an updated approach to data collection for monitoring.

The concepts presented in the ANPR are consistent with the issues and ideas regarding CRA provided by Comptroller Otting in testimony before the banking committees in the [House of Representatives](#) and the [Senate](#) in June 2018, as well as with the Department of the Treasury’s April 2018 [memorandum](#) on CRA, which was directed toward the federal banking agencies.

For more information, please contact [Amy Matsuo](#) and [Michael Lamberth](#)

Amy Matsuo
Principal and National Lead
Regulatory Insights
T: 919-664-7302
E: amatsuo@kpmg.com

Contributing authors:
[Amy Matsuo](#), Principal and National Lead,
Regulatory Insights

[Karen Staines](#), Director, Financial Services
Regulatory Insight Center

[Phil MacFarlane](#), Associate Director, Financial
Services Regulatory Insight Center

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