



Regulatory Alert

Financial Services Regulatory Insight Center



October 2018

Federal Reserve outlines principles to guide CRA revisions

Key point

- Federal Reserve Board Governor Lael Brainard outlined five principles that she states will guide the agency's efforts to revise the CRA regulations.

Summary

Speaking before the first of several roundtables to be hosted by the Federal Reserve System on improving the effectiveness of the Community Reinvestment Act (CRA), Federal Reserve Board Governor Lael Brainard [outlined](#) five principles that she stated will guide the agency's efforts to develop "regulatory revisions that strengthen the CRA's purpose":

1. Update the area in which the agencies assess a bank's CRA activities while retaining the core focus on place. This would mean broadening CRA evaluations to account for the technological advances that have made it possible for banks to serve customers remotely.
2. Tailor the regulations to different bank sizes and business models. This would include consideration of whether assessment areas should be tailored to the business models employed by banks. The evaluation methods are already tailored in this way.
3. Encourage banks to seek out opportunities in underserved areas. This includes providing more incentives for banks to more effectively serve neighborhoods that they may already be serving with branches.
4. Promote greater consistency and predictability in CRA evaluations and ratings. This could include clearer definitions and metrics that use publicly available information to identify local credit needs and opportunities.
5. Recognize that the CRA is one of several mutually reinforcing laws. Banks must also guard against discriminatory or unfair and deceptive lending practices.

Governor Brainard noted that the OCC had published an Advance Notice of Proposed Rulemaking (ANPR) soliciting comment on possible revisions to the CRA regulations (See KPMG's Regulatory Alert [here](#)) and said that the Federal Reserve will also read the submitted comments in anticipation of drafting a joint proposal with the OCC and FDIC.

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



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