

Conventional Residential Lending / Community Reinvestment Act

NAR Committee:

Conventional Financing and Policy Committee

What is the fundamental issue?

Created in 1977, the intent of the Community Reinvestment Act (CRA) is to end the practice of redlining, where banks would not write mortgages for certain communities, particularly communities of color, and the exportation of deposits by banks from their communities to investments outside of those communities. Since the inception of the CRA, the banking sector has dramatically changed and will continue to evolve as the financial needs of Americans adjust to new economic times. The CRA must therefore keep pace in order to meet the financial service needs of underserved communities and to maintain a structure that empowers lenders to fulfill the CRA mandate.

I am a real estate professional. What does this mean for my business?

Without access to mortgage credit, few homebuyers can afford to buy a home. Supporting the CRA helps to ensure the flow of mortgage credit in historically underserved areas.

NAR Policy:

NAR supports access to credit in all markets and at all times for well underwritten borrowers. Supporting the CRA is therefore a critical mechanism for ensuring credit worthy borrowers in underserved communities have access to mortgage credit in order to buy homes. Supporting reforms that maintain the original focus of the CRA while enhancing banks' ability to meet that mission are the focus of NAR's Principles for Modernization of the CRA.

[NAR's Principles for Modernization of the CRA](#)

Opposition Arguments:

CRA is another regulation that raises costs for lenders, causing them to pull back and reduce lending. Furthermore, this type of lending caused the financial crisis.

Legislative/Regulatory Status/Outlook

In the November of 2020, the Office of the Comptroller of the Currency (OCC) issued a [final rule](#) in which the OCC made a number of updates to modernize the CRA. However, the other two bank regulators, the Federal Reserve (FED) and the Federal Deposit Insurance Company (FDIC), did sign onto the OCC's final rule suggesting the need for improved alignment on the issue among the regulators. [NAR provided input](#) to the OCC on the advanced notice of proposed rule making (ANPR). The Federal Reserve [issued its own](#)

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[advanced notice of proposed rule making](#) (ANPR) in September of 2019.

However, in December of 2021, the OCC rescinded the Trump Administration rule related to CRA.

In May of 2022, the Federal Reserve Board of Governors, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency, released a Notice of Proposed Rulemaking for the CRA. On August 4, 2022, NAR responded to the Notice of Proposed Rulemaking and applauded the agencies for working together in a coordinated fashion to update the CRA. The letter emphasized the need to close the homeownership gap and that CRA can play a major role. The letter also called for greater transparency and more readily available data to assess compliance. Additionally, the letter called for flexibility in assessments, taking into account institution size, but also called for updates given the transition of banking from branch models to online platforms.

NAR awaits the final or proposed final rule and will provide comment at that time.

Current Legislation/Regulation (bill number or regulation)

While reforms have been discussed regarding CRA in the recent years, including adding non-bank institutions, online lenders, and cryptocurrency marketplaces, to CRA, thus far, no such bills have been introduced.

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