NAR Issue Summaries

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However, in December of 2021, the OCC rescinded the Trump Administration rule related to CRA.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

In October of 2023, the joint agencies released their final CRA rule. The rule would, among other things:

- **Encourage banks to expand access to credit, investment, and banking services in Low and Moderate Income (LMI) communities.** Under the final rule, the agencies will evaluate bank performance across the varied activities they conduct and communities in which they operate so that the CRA continues to be a strong and effective tool to address inequities in access to credit and financial services. The final rule promotes financial inclusion by supporting bank activities with Minority Depository Institutions and Community Development Financial Institutions and in Native Land Areas, rural areas, persistent poverty areas, and other high–need areas.
- **Adapt to changes in the banking industry, including internet and mobile banking.** The final rule will update the CRA regulations to evaluate lending outside traditional assessment areas generated by the growth of non–branch delivery systems, such as online and mobile banking, branchless banking, and hybrid models. The final rule is calibrated to recognize the continued importance of bank branches, while establishing a framework to evaluate the digital delivery of banking products and services for certain banks.
- **Provide greater clarity and consistency in the application of the CRA regulations.** The final rule adopts a new metrics–based approach to evaluating bank retail lending and community development financing, using benchmarks based on peer and demographic data. The agencies will develop data tools using reported loan data that give banks and the public additional insight into performance standards. The final rule also clarifies eligible CRA activities, such as affordable housing, that are focused on LMI, underserved, native, and rural communities.
- **Tailor CRA evaluations and data collection to bank size and type.** The final rule recognizes differences in bank size and business models. For example, small banks will continue to be evaluated under the existing framework with the option to be evaluated under the new framework. The final rule also exempts small and intermediate banks from new data requirements that apply to banks with assets of at least $2 billion and limits certain new data requirements to large banks with assets greater than $10 billion.

In 2025, the joint banking agencies rescinded the 2023 rule, reverting the CRA rule back to the 1995 standard. It is unclear at this time whether the Trump administration will attempt to modify and update the rule or continue to support the 1995 rule.

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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 cyrptocurrency marketplaces, to CRA, thus far, no such bills have been introduced.

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