The modernization proposal for the Community Reinvestment Act (CRA) raises a number of concerns for state regulators that should be addressed before moving forward with CRA reform, CSBS said in a letter sent today to the OCC and FDIC.

Primary among the concerns is the fact that the proposed rules have been issued by only the OCC and FDIC without the Federal Reserve. As a result, banks would be subject to different federal CRA rules depending on their charter or chosen primary federal regulator, which would result in legal and practical issues for banks and regulators alike.

Additionally, CSBS believes that more information is needed before reforming the CRA as the agencies proposed. Among the areas of concern are how CRA assessment areas are defined. The agencies have not gathered the information needed to understand whether the proposed assessment area approach is necessary or appropriate. The proposed revisions to the data collection and reporting requirements also are duplicative and may impose an unnecessary burden.

Small banks may face relatively greater burden because the burdensome aspects of the proposed rule are distributed broadly for all banks, while the relief provided is largely for the larger institutions. State regulators are concerned that it may not even be feasible for small banks to opt into the rules. CSBS asked the agencies to consider recalibrating the proposal to provide relief for small banks.

CSBS also requests that the federal agencies clarify the impact of the proposed rule on wholesale and limited purpose banks and consider providing greater incentives for
establishing and retaining bank branches in low income and underserved areas.