BLOG POST

CSBS Supports CRA Proposal; Asks for Clarity

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State regulators stated their support of the federal banking agencies' proposed modernization of the Community Reinvestment Act (CRA) but asked for further clarity in a **comment letter** submitted by the Conference of State Bank Supervisors (CSBS) today.

CSBS commended the Federal Reserve, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation for issuing uniform and consistent proposed updates to the CRA regulatory framework. The proposed reforms appropriately minimize regulatory changes and costs for small community banks and focus most reforms on larger banks. This approach would modernize the CRA framework to better reflect the business models and activities of institutions over $10 billion, including through more accurate assessment areas and responsive performance tests. At the same time, the agencies' proposal reaffirms community banks' critical importance to local economic development and investment.

However, CSBS asked the federal banking agencies to clarify two specific areas:

First, state regulators urged the federal banking agencies to publish illustrative, non-exhaustive lists of both qualifying and non-qualifying community development activities for CRA consideration. This action would not only provide more clarity to the banking industry but would further encourage banks to engage in community development activities, impacting local communities. State regulators further recommended that the federal banking agencies consider how their guidance and activity approvals interact with state laws, including state CRA laws, in order to avoid conflict.

Second, CSBS asked for clarity on the proposed rule's "impact review" of community development activities, which would incentivize banks to conduct CRA activities that have a high impact on low-and moderate-income and other underserved communities. Areas with low levels of community development financing, such as rural areas, could see increased investment, and the process also supports the mission of state regulators to promote local economic growth and development and to protect consumers. However, CSBS asked for clarity on the factors considered and the review process, as well as for guidelines on how examiners are expected to incorporate these factors during CRA examinations.

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