Regulators expect to release CRA revamp as soon as this month

By Jon Prior **March 07, 2022, 2:04 p.m. EST** **2 Min Read**

SAN ANTONIO — Federal banking regulators are expected to issue a long-awaited proposal for modernizing requirements under the Community Reinvestment Act as early as this month, officials said Monday.

The Federal Reserve, the Federal Deposit Insurance Corp. and the Office of the Comptroller of the Currency plan to issue a joint revamp of the anti-redlining law after years of interagency tension over the issue during the Trump administration.

Last year, acting Comptroller Michal Hsu rescinded a breakaway rule change made in 2020 under former Comptroller Joseph Otting that had for the first time created a different interpretation among the regulators of how banks must comply.

Since then, the three agencies have been working together on how to move forward with a unified modernization of the 1970s-era law. The agencies are eyeing issuing a formal proposal in March, said Mark Pearce, director of FDIC's division of depositor and consumer protection, at a Monday event hosted by the Consumer Bankers Association.

"That's the goal line that we've been working toward," Pearce said. "It's been a ton of work. We're hoping we're in the final stages of our collaboration to get a high-quality proposal out."

Fed Chair Jerome Powell said last week in congressional testimony that the joint CRA proposal was coming soon, though he declined to provide a specific timetable.

It's unclear if the proposal will carry a comment period of 60 or 90 days, Lloyd Brown, head of Citigroup's CRA regulatory group, said in a brief interview Monday following the event.

After receiving the public's comments, the Biden administration is aiming to finalize the rule by the end of the year, with the industry hoping for a possible effective date of Jan. 1, 2025, Brown said.

"At the end of the day, we want something durable and not subject to change from administration to administration," said Brown, who is chair of the Consumer Bankers Association's community reinvestment committee.

Beyond timing, regulatory officials gave some hints Monday about how banks will be credited under a modernized interpretation of the law, though they were sparse on details.

The new rule is expected to address climate change and the role that banks can play in helping areas recover from disasters, said Eric Belsky, director of the division of consumer and community affairs at the Fed.

Regulators are also considering banks' partnerships with nonbank lenders under the modernized CRA rule, said Pearce of the FDIC.

And the new rule is expected to revamp what data the agencies collect from banks — part of an effort to address persistent gaps in income inequality that were laid bare during the COVID-19 pandemic, said OCC Senior Deputy Comptroller for Bank Supervision Policy Grovetta Gardineer.

"There is a focused and overdue look at the wealth gap," Gardineer said.

The new rule will also take into account the shrinking number of U.S. bank branches, after years of grading institutions based on their physical presence in low-income neighborhoods, Gardineer said.

While the final details are still under debate, the key takeaway, according to Gardineer, is that regulators are committed to "having a level playing field" with "the agencies speaking with one voice."