



Community Reinvestment Act

The Community Reinvestment Act (CRA) was enacted in 1977 to prevent redlining¹ and to encourage banks and savings associations (collectively, banks) to help meet the credit needs of all segments of their communities, including low- and moderate-income neighborhoods and individuals. The CRA extended and clarified the long-standing expectation that banks will serve the convenience and needs of their local communities.

Today, CRA and its implementing regulations require Federal financial institution regulators to assess the record of each bank in fulfilling its obligation to the community and to consider that record in evaluating and approving applications for charters, bank mergers, acquisitions, and branch openings. The Federal financial institution regulators are: the Office of the Comptroller of the Currency (OCC)²; the Board of Governors of the Federal Reserve System; and the Federal Deposit Insurance Corporation (FDIC).

Neither the CRA nor its implementing regulations prescribe ratios or benchmarks regulators must use in the evaluation or

application processes. Nor does CRA require banks to make high risk loans that jeopardize their financial stability. To the contrary, the law makes it clear that a bank's CRA activities must be consistent with the safe and sound operations conducted by the bank.

CRA is designed to encourage banks to help rebuild and revitalize communities through sound lending and good business judgment that benefits the banks and the communities they serve. Further, CRA provides a framework for depository institutions and community organizations to work together to promote the availability of credit and other banking services to underserved communities³.

CRA has encouraged banks to open new branches, provide expanded services, and make a variety of community development loans and investments. In addition, CRA has helped banks to provide substantial commitments to state and local governments and community development organizations to increase lending to underserved segments of local economies and populations.

¹ "Redlining" referred to the practice whereby lending institutions refused to offer home loans in certain neighborhoods, based on the income, racial or ethnic composition of the area. The term "redlining" stems from some lenders' practice of using a red pencil to outline such areas.

² The OCC supervises national banks and federal savings associations (collectively, banks).

³ Typically, "underserved" refers to households that are either "unbanked" or "underbanked." According to the FDIC *Survey of Unbanked and Underbanked Households*, "unbanked" means that no one in the household has a checking or savings account. "Underbanked" is defined as those households that have a checking or savings account, but rely on non-bank, alternative financial services and providers, such as money orders, check cashing services, payday loans, rent-to-own agreements, pawn shops, or refund anticipation loans.

Institutions Covered by CRA

CRA applies to FDIC-insured depository institutions, such as national banks, savings associations, and state-chartered commercial and savings banks. CRA does not apply to credit unions insured by the National Credit Union Share Insurance Fund (NCUSIF) or nonbank entities supervised by the Bureau of Consumer Financial Protection (CFPB).

OCC's CRA Responsibilities

The OCC evaluates a bank's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations. The statute and the OCC's CRA regulations (for national banks, 12 CFR 25, and for Federal savings associations, 12 CFR 195) also mandate that the OCC consider this record when evaluating a bank's application for: new charters; new branches or relocation of an existing branch; bank mergers and consolidations; and other similar corporate activities.

The CRA regulations provide regulators with different evaluation methods that consider basic differences in the size and operations of banks and other institutions. The regulations provide:

- Small banks⁴ that are not intermediate small banks are assessed with a streamlined method that focuses generally on their lending performance.

⁴ For purposes of CRA, a "small bank" currently refers to a financial institution with assets of less than \$1.160 billion. Asset thresholds are adjusted annually based on the Consumer Price Index.

- Intermediate small banks⁵ (ISBs) are assessed by the small bank lending test and a community development test that evaluates community development lending, qualified investments, and the community development services they provide to their communities.
- Large retail banks⁶ are evaluated under three tests. All lending activity, including community development loans, is evaluated under the lending test. Qualified investments are evaluated under the investment test. Retail and community development services are evaluated under the service test.
- Wholesale and limited-purpose institutions are assessed solely on their community development activities.

CRA regulations also allow any institution, regardless of size or business strategy, the option to be evaluated under a strategic plan. This option provides some flexibility for institutions to create a performance plan, with community input, tailored to their respective business approaches.

The OCC evaluates a bank's activities under CRA based on information about both:

1. The institution – its capacity, constraints, business strategies, competitors, and peers; and
2. The community served – its demographic and economic data, and lending, investment, and service opportunities.

⁵ For purposes of CRA, an "intermediate small bank", a subset of "small bank," currently refers to a financial institution with assets of at least \$290 million, but less than \$1.160 billion. Asset thresholds are adjusted annually based on the Consumer Price Index.

⁶ For purposes of CRA, a "large bank" currently refers to a financial institution with assets of \$1.160 billion or more. Asset thresholds are adjusted annually based on the Consumer Price Index.

The OCC assigns one of the four CRA ratings to a bank:

- Outstanding
- Satisfactory
- Needs to Improve, and
- Substantial Noncompliance.

The OCC prepares a written performance evaluation of the bank's CRA activities, including the CRA rating, at the end of each CRA evaluation. The written evaluation is available to the public. The CRA performance evaluation generally includes a description of the institution and its assessment area(s); its CRA rating, and the facts, data, and analyses supporting the rating. Public performance evaluations can be obtained from banks and are also available on the [OCC's Web site](#).

In general, the OCC conducts a CRA evaluation of a bank every three years. However, section 712 of the Gramm-Leach-Bliley Act⁷ mandated that small banks may be evaluated less frequently. A bank with current assets of \$250 million or less that received an overall CRA rating of outstanding or satisfactory at its last CRA evaluation may be evaluated not more than once every 60 months or 48 months, respectively. The OCC may conduct a CRA evaluation sooner for reasonable cause or when reviewing the bank's application for a depository facility such as through bank mergers, acquisitions, and branch openings.

The OCC publishes an advance notice of scheduled CRA evaluations to inform and allow community and civic organizations, government, and other members of the public to express their views about the CRA performance of banks. The OCC gives banks the opportunity to address any community concerns and takes the public's concerns into account when evaluating the CRA

records of banks and reaching conclusions about their performance ratings.

The OCC considers all public comments received before the close of a CRA evaluation. Comments may be submitted to individual banks or with the appropriate OCC supervisory offices. In addition, the OCC considers public comments when reviewing corporate applications covered by the CRA.

CRA Public Information

Under CRA regulations, a depository institution is required to maintain a public file containing specific information, including all written, public comments received for the current year and for the previous two calendar years specifically relating to the bank's performance in helping to meet community credit needs. The file must also contain any bank responses made to the public comments⁸.

Depository institutions must also place an appropriate notice in the lobby of their main office and in each of their branches that states where the CRA public file is located. The institution must provide copies of public-file information upon request, but may charge a reasonable fee not exceeding the cost of copying and mailing.

The OCC maintains a list of banks that are to be examined for CRA compliance. The OCC also provides a search option for the public to seek CRA ratings and performance evaluations for particular banks. This information is located on our [website](#).

⁷ Pub. L 106-102, 113 Stat. 1338, codified at 12 U.S.C. 2908.

⁸ The institution is not required to include comments or responses to the public comment letters if they contain statements that reflect adversely on the good name or reputation of any persons other than the bank or if their publication would violate specific provisions of law.

Where to Get Additional Information

[General information about the CRA](#)

[CRA regulation applicable to national banks
\(12 CFR 25\)](#)

[CRA regulation applicable to Federal savings
associations \(12 CFR 195\)](#)

[CRA ratings](#)

[Publicly available data](#)

[OCC public performance evaluations](#)

[Copy of disclosure reports](#)

[Copy of aggregate reports](#)

[OCC supervisory offices](#)