



# *FedFin Client Report*

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Thursday, May 5, 2022

## **Agencies Advance Sweeping, Tough CRA Rewrite**

**Client Report: CRA31**

### **Executive Summary**

The FDIC today led the way with release of a long-awaited inter-agency [proposal](#) updating decades-old CRA regulation. We will shortly provide clients with an in-depth assessment of the new approach, which includes an update to assessment-area calculations to address electronic-delivery modalities, tackles new concerns such as environmental and racial justice, and adds new community priorities such as childcare and financial literacy. This report provides details on these provisions as well as on key points raised at the meeting by CFPB Director Chopra, whose comments today were the most extensive and substantive. He is particularly interested in public comment on whether the rule is sufficiently stringent for the largest banks and whether the new demographic calculations suffice. In conjunction with today's FDIC meeting, FRB Vice Chair [Brainard](#) supported the approach, but Gov. Bowman reserved judgment on its [details](#). Doubtless reflecting the partisan reaction to this rule sure to come, Sen. Brown (D-OH) [praised](#) it, but Sen. Toomey (R-PA) [argued](#) for repealing the law on grounds that it largely supports community organization rent-seeking. Comment on the NPR is due August 5, a deadline the agencies doubtless set to move this rule forward before the odds for Congressional revocation increase after the November election.

### **Analysis**

Key provisions in the NPR would:

- update assessment areas to reflect online and mobile banking;
- allow credit for community activities outside of an assessment area;
- adopt a metric-based approach to CRA evaluation designed to toughen it and increase transparency;
- provide a list of expanded eligible CRA activities capturing social-welfare programs, support of MDIs and CDFIs, auto lending, investments in disaster preparedness and environmental resilience in LMI areas, and rural community development;
- tighten the treatment of affordable housing and rural community service;
- eliminate the distinction between full and limited CRA evaluations, a move Director Chopra says would increase community development in rural and LMI areas; and

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- segment CRA evaluations by bank size, with "large" banks judged as those with over \$2 billion in assets. Mr. Chopra also seeks comment on whether this threshold is appropriate and, more generally, on whether standards for the largest banks are tough enough.