

Issue Update

Even though the banking agencies have not finalized their 2025 proposal to rescind the 2023 Community Reinvestment Act (CRA) Rule, the Fifth Circuit's injunction remains in place and continues to pause the rule's implementation timeline and bar enforcement. In the meantime, ABA has continued its CRA advocacy on several fronts. We submitted a comment letter containing recommendations for improving CRA supervision, including urging regulators to make the CRA strategic plan option more accessible to a broader range of banks. In response, the OCC issued proposed guidance that would establish a simplified strategic plan for community banks with up to \$30 billion in assets. We supported the OCC's proposal and offered several recommendations to strengthen it.

Why It Matters

While the CRA modernization effort was unsuccessful, it highlighted the strengths of the legacy rule as well as areas where targeted updates are needed. These changes can be accomplished through modest revisions to the CRA regulation, updates to the Interagency Questions and Answers, and improvements to CRA-related processes.

In addition, the OCC's proposed streamlined strategic plan option could help more banks benefit from the regulatory certainty and flexibility of design that strategic plans provide. This is increasingly important as community banks pursue fintech partnerships and niche lending strategies that do not align neatly with the traditional CRA framework.

Recommended Action Items

- Support the agencies' efforts to repeal the 2023 CRA Rule and replace it with the 1995 CRA Rule. While not perfect, the 1995 CRA Rule is more closely aligned with Congressional intent and is more workable than the 2023 Rule.
- Increase the asset caps for the Small and Intermediate Bank tests to \$850 million and \$4.7 billion to reflect the evolution of the banking sector since the Intermediate Bank test was established in 2005. Following this initial adjustment, index the thresholds annually to nominal GDP.
- Urge the agencies to make improvements to CRA regulation and supervision, including:
 - Streamlining the strategic plan option;
 - Providing pro rata credit for all community development activities (not just affordable housing);
 - Providing positive consideration for outstanding balances of prior period community development loans;
 - Eliminating informal or unpublished guidance;
 - Strengthening examiner training;
 - Establishing a pre-approved list of CRA-qualifying activities;
 - Implementing a pre-clearance process for CRA activities;
 - Clarifying documentation standards; and
 - Ensuring that all exams incorporate performance context.