FEDERAL BANKING REGULATORS PROPOSE RULES THAT THREATEN TO REMOVE "COMMUNITY" FROM THE COMMUNITY REINVESTMENT ACT

The proposal to modernize CRA regulations would radically alter a system that has been vital to spurring investment in low- and moderate-income (LMI) communities. The proposal is also a threat to Community Development Financial Institutions (CDFI), which provide critical resources to LMI communities, through loans, investments, and other financial services.

How would the new rules change CRA?

Simplified Test

Banks would receive an "Outstanding" CRA rating if they (1) performed at or above minimum thresholds in both number of loans and community development, and (2) scored 11 percent or above on the "one-ratio," which is:

$$\frac{\text{Total Dollar Value of All CRA Activities}}{\text{Total Dollar Value of All Deposits}}$$

A Flawed System

Measuring the impact of CRA activities based on dollars disregards the quality of the activity and the degree to which it is responsive to local community needs.

A Metric Vulnerable to Exploitation

Allowing banks to aggregate their CRA activities into dollars will allow them to focus on simpler, higher-dollar investments and to pay minimal attention to other communities.

What can you do to the stop the CRA overhaul?

Write a comment to the OCC and FDIC. Tell them to restore and expand the CRA to better serve local communities.

Connect with Woodstock Institute at www.woodstockinst.org or contact Jean Pogge at jpogge@woodstockinst.org to learn more.

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