The Community Reinvestment Act Decoded

What is the Community Reinvestment Act?

The Community Reinvestment Act (CRA) was enacted to encourage banks to meet the credit needs of the neighborhoods in which they operate, including low- and moderate-income (LMI) communities. The CRA was enacted by Congress in 1977 (12 U.S.C. 2901) and is implemented by Regulation BB (12 CFR 228). The regulation was substantially revised in May 1995 and in August 2005.

Who is responsible for CRA compliance?

The Federal Reserve System (FRS), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) evaluate how banks are fulfilling the objectives of the CRA.

What is an assessment area?

The assessment area is determined based on where banks have branches, deposit taking ATM's or surrounding geographies in which they have originated or purchased loans. All evaluations are customized to reflect the characteristics and asset size of depository institutions.

Which Bank activities are eligible to receive credit under the CRA?

In order to receive credit under the CRA, loans, investments and services made by banks must have a primary purpose that generally improves the circumstances for low- and moderate-income families or individuals, and stabilizes and/or revitalizes their neighborhoods.

How do examiners measure performance?

After conducting an assessment of banks' CRA activities, studying factors such as local demographic and economic indicators and talking to community contacts, examiners issue performance ratings. Banks can receive the following ratings: Outstanding, Satisfactory, Needs to Improve and Substantial Noncompliance.

What are the ratings used for?

These ratings are considered when banks request to merge with other financial institutions or plan to expand to other locations. The ratings and overall performance evaluations are made available to the public.

For more information visit our website at www.nyfed.org/cra

What is a Public Evaluation?

Upon conclusion of CRA examinations, examiners must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area. This written evaluation is public information and can be obtained through the institution or its supervisory agency. While the content of the Public Evaluation might vary depending on the nature of the institution examined and the assessment method used, the public portion of the evaluation generally contains the following information:

- The institution's CRA rating.
- A description of the financial institution.
- A description of the financial institution's assessment area.
- Conclusions regarding the financial institution's CRA performance, including the facts, data, and analyses that were used to form such conclusions.

You can download copies of the latest Public Evaluations for Federal Reserve Bank supervised financial institutions in the Second District here.

The Fundamentals / Community Development

How does the CRA define community development activities?

CRA defines the types of activities that may be considered to earn credit for supporting community development. The Interagency Questions and Answers on Community Reinvestment provides guidance on how the regulation is interpreted and applied in this field.

Which activities may be considered to support community development under CRA?

Activities that are considered community development according to the CRA include: investments in community services such as affordable housing and child care, revitalization of distressed geographies or designated disaster areas, and promoting economic development by providing financing to small business or farms.

Can you submit comments on banks' CRA performance?

The public is encouraged to submit comments on how banks are meeting the credit needs of their communities. These comments are taken into consideration during the bank's next CRA examination.