



Mutual Alert

Interagency Amended CRA Released, Minimal Changes for Small Banks

[The OCC FDIC and FRB announced a much anticipated CRA overhaul](#), following months of discussion and a repeal of a 2020 CRA rule in favor of a 1995 version. The new proposed rule adds several new tests, reporting requirements, and evaluation metrics for large banks, while leaving processes for small banks largely unchanged.

Asset Thresholds

The new CRA proposes different asset size thresholds for small, medium, and large banks. In the proposal, small banks are defined as institutions with less than \$600 million in average quarterly assets, medium banks as institutions with between \$600 million and \$2 billion in average quarterly assets, and large banks as those with over \$2 billion in average quarterly assets. All asset thresholds are measured over a period of two years. According to the proposal, the agencies are seeking to use the \$600 million threshold for small banks rather than a \$750 million threshold defined by the Small Business Administration.

New Activity Framework

One key change to the CRA is the definition of activities that are considered “Community Development.” These activities include, but are not limited to affordable housing, funding essential community infrastructure, disaster preparedness and **climate resiliency**, and work alongside MDIs and CDFIs. While the inclusion of climate related activities is new, the framework does not impose these activities on any institution, and rather broadens the scope of activities that are considered community development. Furthermore, the agencies propose a process for determining whether an activity is considered community development or not.

Assessment Areas

Under the proposed CRA, intermediate and small banks could continue to delineate partial county facility-based assessment areas. Large banks are eligible to delineate facility based assessment areas, while also delineating areas for assessment where it has at least 100 home mortgage loan or 250 small business loan originations. This significantly broadens the scope of examinations for large banks.

Test and Evaluation Changes

Much like previous iterations of the CRA, small banks will be evaluated under the current small bank lending test unless opting into the Retail Lending Test. Intermediate banks will be evaluated under the Retail Lending Test and the status quo community development test, with the option to be evaluated under the Community Development Financing Test. Large banks will be subject to 4 tests, the Retail Lending Test, Retail Services and Products Test, Community Development Financing Test, and the Community Development Services Test. Combined with changes to assessment areas, large banks will face more detailed and burdensome examinations. However, the proposal highlights the standardization of tests and metrics which will aid in streamlining the examination process.

Comment Period

The proposal has an open comment period until August 5, 2022; and AMB encourages all members to submit feedback regarding the new rule. AMB will also submit a comment letter in the coming months.

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