

NAR Principles for Modernization of the Community Reinvestment Act

Since 1977 the Community Reinvestment Act (CRA) regulations, examination processes, and reporting structure have incentivized banks to provide lending and investment activity to *low and moderate income* (LMI) neighborhoods. NAR is strongly committed to the availability of credit and investment opportunity in under-served communities, and to this end NAR supports the CRA. Furthermore, in order to refocus and improve lending to low-to-moderate (LMI) areas, small businesses and communities in need of financial services, NAR supports the modernization of the CRA regulations under these guidelines:

- The original mission of CRA must be maintained. Modernization efforts should enhance the ability of all finance companies of any size to serve communities by providing access to credit for all neighborhoods,
- The banking and financial institution regulators must act together on reform of the CRA; Office of Comptroller of Currency (OCC), Federal Deposit Insurance Corporation (FDIC) and Federal Reserve Board (FRB),
- Any CRA qualifying “credits” or other future performance rating methods must support the mission, be clearly identified and defined, and be consistent over time and between examiners. To prevent the churning of loans for CRA credit, credit for CRA lending should reflect the duration that the investment is on the books of the lender, but that credit should diminish over time,
- Assessment Area definitions, used in the evaluation process, must be updated through collaboration between the regulators and the financial institution to reflect changes to geographic coverage, but also the nature of lending and the need for banking services. If community’s lending needs within a lender’s assessment area(s) are met, lenders should be able to receive credit for CRA-eligible investments outside of their assessment area(s),
- Methods of examinations should be consistent, transparent and readily available,
- Any metric-based evaluation system should be holistic and must not diminish the analysis of the true needs of communities,
- All financial institutions have an obligation to serve their communities especially in their greatest areas of need and to provide fair access to financial services, and
- The *Performance Context*, a research-based understanding of the credit and community development needs and opportunities, should be defined and updated in real time in conjunction with the supervised financial institution and used in the evaluation process as well as in the forward-looking strategic investment plan of the financial institution.