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Full Statement of David M. Dworkin, President and CEO, National Housing Conference on the final Community Reinvestment Act rule

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“The National Housing Conference (NHC) applauds the final rule for the modernization of the Community Reinvestment Act (CRA). The final rule is the product of years of work to bring CRA into the 21st century. This regulation is the product of more than a decade of consultations with community and banking groups and years of work by regulators to get it right. They got it right. While not everyone is going to like everything in the final rule, it succeeds in significantly improving the status quo, and leaves room for ongoing clarification and adjustment over a 24-month implementation period.

NHC identified several areas where the final rule made significant changes to last year’s proposed rule, about which NHC had voiced significant concerns. We are pleased to see that the final rule is responsive to these concerns and appreciate the regulators’ willingness to make necessary adjustments. Notably, the new rule is designed to avoid a ‘race to the bottom’ by ensuring that achieving outstanding or high satisfactory ratings doesn’t become overly challenging, thereby encouraging some banks to do less lending rather than more.

The final rule serves as a clear encouragement for banks to ramp up their CRA activities, especially in the communities and for the people who need it most. It was important for NHC to ensure that the rule addresses the treatment of community development activities, the Low-Income Housing Tax Credit, and the degree to which banks might be incentivized to see an outstanding rating by previous rules’ approach.

One of the longstanding concerns with the existing CRA regime was the lack of transparency regarding which investments would qualify for CRA treatment. Clarity and consistency are crucial, but they must be achieved thoughtfully to avoid unintended consequences. The final rule effectively makes the process less opaque and can be further refined through the Q&A process and examiner guidance.

We strongly support increasing the implementation period from 12 to 24 months as it is essential for banks to have time to implement many of these regulatory changes in a way that enhances the effect of CRA. Although some regulators raised concerns about rushing the regulation’s implementation before the conclusion of the Biden Administration, those concerns were not warranted given the 24-month implementation period, and broad support among the Federal Reserve Board of Governors, which is a clear indication that regulators have found the right balance, making the final rule durable and sustainable.

In our [2022 comment letter](#), we urged regulators to explicitly address the issue of race in the final rule. While the final rule avoided running afoul of recent Supreme Court decisions, it embraces earning CRA credit for the Special Purpose Credit Programs (SPCPs), even when there is no nexus to income, opening doors for banks to engage in initiatives that promote racial equity, as SPCPs are explicitly allowed under the Equal Credit Opportunity Act.

We are pleased to see the treatment of internet banking is supported in the new rule. This is an important advancement of the regulations and is fully consistent with the statute's emphasis on branches. I haven't been into a physical bank branch in years, but I visit my bank's app on my mobile phone every week to make deposits or withdrawals. The original statute in 1977 doesn't require that branches be constructed out of bricks and steel. Branches today are often constructed out of '0s and 1s' instead but serve the same purpose. My app is my branch, and the final regulation acknowledges this transformation, aligning the CRA with the 21st century.

Regarding mortgage backed securities (MBSs), we would have liked to see clearer discouragement against 'churning.' However, we believe there is room for improvement as "churning" is further defined in future Q&As. While recognizing the crucial role MBSs play in adding liquidity to the market, we remain vigilant to ensure they are not solely traded for the purpose of CRA credit. The final rule represents substantial progress in this area while avoiding the risk of going too far or not far enough.

We look forward to the Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency approving the final rule later today. We are committed to working closely with all three regulators to ensure a smooth and effective implementation of this pivotal rule.”

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About the National Housing Conference: The [National Housing Conference](#) (NHC) is a diverse continuum of affordable housing stakeholders that convene and collaborate through dialogue, advocacy, research, and education, to develop equitable solutions that serve our common interest – an America where everyone is able to live in a quality, affordable home in a thriving community. Politically diverse and nonpartisan, NHC is a 501(c)3 nonprofit organization.