Modernizing the Community Reinvestment Act
An equity analysis of the update to the federal CRA

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Background
Regulations governing the federal Community Reinvestment Act (CRA)–the nation’s landmark anti-redlining legislation–were updated for the first time in nearly 30 years in October 2023. Redlining was a tool used by banks to systematically deny financial services to communities of color prior to the CRA’s enactment in 1977, fueling this country’s massive racial wealth gap. The CRA outlawed redlining and implemented requirements for banks to invest in the communities they serve.

Federal regulators responsible for administering the CRA updated the rule, which will come into effect in January of 2026. While this update provided a much needed and forward-looking refresh to the regulations, several gaps remain, including the Greenlining Coalition’s request for the CRA to explicitly consider racial equity in its implementation.

Outlined below is a comparison between Greenlining’s CRA proposal in 2022 and the final rule.

What is included in the rule?
The CRA has not been substantially updated since 1995. Since then, the U.S. financial system has evolved rapidly with the rise of online banking, interstate lending, fintechs, and non-bank mortgage companies. Federal regulators have attempted to modernize the 50-year old legislation through these reforms:

- **Data Transparency**: The rule takes steps to increase the transparency of the distribution of borrowers’ income, race, and ethnicity of large banks’ home mortgage loan originations and applications in assessment areas. However, lending performance among communities of color will not be factored into a bank’s examination rating.
- **Section 1071 Data**: The rule incorporates Section 1071 by requiring financial institutions to collect and submit data on small business applications for credit, including those that are owned by women or people of color, and will provide transition amendments and clarity on data collection pending a ruling from the Supreme Court in 2024.
- **Special Purpose Credit Programs**: The rule explicitly adds special purpose credit programs as a responsive credit product banks may provide and consider in their evaluations, creating an additional tool for banks to meet the credit needs of specific groups, including programs targeted toward communities of color and other demographics.
- **Public Participation**: The rule clarifies the timing and means for the public to submit comments and engage with agencies during banks’ CRA examinations.
• **Community Development Activities:** The agencies have clarified CRA-eligible community development categories and investments, including “disaster preparedness and weather resiliency activities.” For the first time, banks will receive CRA credit for community development activities beyond their assessment areas.

• **Assessment Areas:** The interagency rules create new retail lending assessment areas beyond branch locations (which are in rapid decline), wherever a bank has made 100 mortgages or 400 small business loans over a two-year period.

**What is missing in the rule?**

Since the last rule revision in 1995, racial disparities in lending and wealth creation have persisted and worsened. With this update, regulators had a rare opportunity to strengthen the CRA and increase reinvestment in communities of color that continue to experience economic and climate inequities. The Greenlining Institute and hundreds of organizations nationwide urged regulators to make race-conscious considerations explicit. However, regulators failed to make this crucial update to the CRA. This is a missed opportunity.

**Explicit Consideration of Race**

The new rule fails to obligate financial institutions to specifically meet the credit needs of communities of color by explicitly including race as a metric. The regulators also failed to adequately prioritize investments in communities most vulnerable to climate change impacts—often the same communities of color that endured persistent redlining.

**Regulators could have obligated financial institutions to increase lending to communities of color who have faced decades of discrimination in these ways:**

- Require lending to communities of color by including lending by race and ethnicity as a metric of evaluation.
- Assess both quality and quantity of lending and investments to communities of color, not only ensuring that loans are being made to communities of color, but that these loans are fair, affordable, meet credit needs and do not put borrowers at risk of debilitating debt.
- Prioritize communities experiencing disproportionate environmental burdens and impacts by encouraging banks to increase community engagement and relationship building with climate and environmental justice organizations.
- Accountability for not lending to communities of color through automatic CRA rating downgrades for disparate impacts relating to displacement financing, fee gouging or climate degradation, as well as lending discrimination towards a specific group.

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