



The Community Reinvestment Act

The Community Reinvestment Act was first enacted in 1977. It encourages depository institutions to help meet the credit needs of the communities in which they operate, including low-and moderate-income (“LMI”) neighborhoods. The CRA requires that each depository institution’s record of helping meet the credit needs of its communities be evaluated by bank regulators and made public through a published Performance Evaluation.

CRA consideration for community development activities

Community Development activities fall under four categories including:

- Affordable housing for low- and moderate-income (LMI) individuals
- Community services targeted to LMI individuals
- Activities that promote economic development by providing small-business and small-farm financing.
- Activities that revitalize or stabilize LMI geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster area

To obtain consideration under CRA, every activity a bank engages in must not only fall within one of the four categories listed under the definition of community development, but must also have community development as its primary purpose.

Qualifying CRA Activities

Routine mandated CRA performance evaluations consider a bank’s loan, investment, and service activities in areas such as volume and impact.

Lending products

- Home Mortgages, Small Business, Consumer Loans and Commercial Loans

Examples:

- An housing organization needs a loan of \$500,000 to construct a multifamily building for low-income individuals
- A nonprofit that provides child care services to low-or moderate-income children needs a line of credit for general operations
- A community organization is refinancing a recreation facility in a low-income community that also houses an early education center, a job training program, and a senior health-care facility
- An economic development organization request a loan for a fund which provides capital to small businesses and entrepreneurs



Investment Types

- Mortgage-Backed Securities, Municipal Bonds, Equities, Grants and Donations

Examples:

- A community development organization providing credit counseling and job training for LMI individuals requests a donation
- A community group focused on providing services to LMI individuals requests a grant
- Debt Securities A city is issuing a municipal bond to support building infrastructure in a low income neighborhood
- An equity investment Community Development Financial Institution ("CDFI") which provides microcredit to small businesses.

Services

- Branch locations and hours
- Providing financial services or expertise to LMI individuals or community organizations serving LMI individuals
- Product channels (online applications, mobile deposits)
- Products such as low or no-fee checking and savings accounts

Examples:

- A school with a majority of LMI students partners with a bank to have bank employees teach personal finance courses
- A community organization serving LMI individuals partners with a bank to have a bank employee provide accounting/bookkeeping services

For Additional Information

- Download a copy of this presentation: [Introduction to the Community Reinvestment Act](#)
- Visit: <https://nyfed.org/InvestConnectPR>
- Send an email to: NYInvestmentConnection@ny.frb.org

Disclaimer

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