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2023 CRA Final Rule Summary

Disclaimer: This summary does not, and is not intended to, constitute legal advice. It is further not intended to be a comprehensive guide to the Community Reinvestment Act's implementing regulations and may not contain all the information that is necessary to comply with the 2023 CRA Rule. Some sections of the final rule are not addressed by this summary. This summary is intended for general informational purposes only. Banks should consult with their own counsel to determine how the regulation might impact their bank.

Background & Introduction

The Community Reinvestment Act ("CRA") was enacted in 1977 to combat redlining by ensuring that each insured depository institution serves the convenience and needs of its entire community, including low- and moderate-income (LMI) neighborhoods, consistent with its safe and sound operation.

The CRA has been amended several times since its original enactment, and its implementing regulations have changed as well, with the last major overhaul being completed in 1995. Since 2017, the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve Board of Governors (FRB) have worked to modernize the 1995 rule. On October 24, 2023, the OCC, FDIC, and FRB published a final CRA rule that creates a modernized rule for the banking industry.

Summarized Sections

Coverage

Asset Size Thresholds:

The new CRA rule has increased asset size thresholds and has changed the responsibilities – and options – for banks in some categories.

Small banks → the threshold has been **increased from $357 million to $600 million in assets**. Small banks will generally have the option of choosing to **OPT IN** to the new Retail Lending Test or continue to have their loans and investments evaluated under the current approach.

Intermediate banks → the threshold has been **increased from $1.503 billion to $2 billion in assets**. Intermediate banks will be required to have their retail loans evaluated under the new Retail Lending Test but may choose to have their community development loans and investments evaluated under the existing Community Development Test or the New Community Development Financing metric.

Large banks → banks with **over $2 billion in assets** will be required to have their loans, investments, and services evaluated under the new Retail Lending Test, the New Retail Products and Services Test, the New Community Development Financing Metric, and the New Community Development Services Test. In addition, they may be required to delineate and be evaluated in Retail Lending Assessment Areas (RLAAs), where they do not have a physical branch.

Size Category	Assets	Retail Lending		Community Development (CD)	
Small	<$600 million	Existing Retail Lending Test	New Retail Lending Test (Default **or** *Opt-in*)	Can continue, but are not required to request credit for CD activity under Existing CD test *Optional*	
Intermediate	$600 million to $2 billion	New Retail Lending Test *And*		New CD Financing Metric	Existing CD Test (*Opt-in* **or** *Default*)
Large	>$2 billion	New Retail Lending Test *And*	New Retail Products and Services Test *And*	New CD Financing Metric *And*	New CD Services Test

Assessment Areas

Facility-Based Assessment Areas:

All banks will continue to be required to delineate an assessment area in locations where they have a main office, a branch, or a deposit-taking remote service facility, as well as the surrounding counties in which the bank has originated or purchased a substantial portion of its loans (including home mortgage loans, multifamily loans, small business loans, small farm loans, and automobile loans). These assessment areas will be known as facility-based assessment areas.

A small or intermediate bank may adjust the boundaries of its facility-based assessment areas to include only the portion of a county that it reasonably can be expected to serve so long as that adjustment does not reflect illegal discrimination, nor arbitrarily exclude low- or moderate-income census tracts.

New Retail Lending Assessment Areas:

Large banks may be required to delineate additional Retail Lending Assessment Areas (RLAAs) in geographic areas where they do not have a branch.

If, in the **prior two years**, the large bank originated or purchased **within its facility-based assessment areas** (i.e. the areas near branches where the bank has existing assessment areas) more than **80 percent** of its home mortgage loans, multifamily loans, small business loans, small farm loans, and automobile loans (if automobile loans are a majority of its business) **– it is not required to delineate any RLAAs.**

However, if a bank originated more than 20 percent of its home mortgage, multifamily, small business, and small farm loans outside its facilities-based assessment areas, it will be required to:

1. delineate a RLAA in either:
   - the entirety of a single MSA, excluding any counties inside the large bank's facility-based assessment areas; or
   - all of the counties in the nonmetropolitan area of a State excluding any counties included in the large bank's facility-based assessment areas, and any counties in which the large bank did not originate any closed-end home mortgage loans or small business loans that are reported loans during that calendar year.

2. In areas where it originated:
   - At least 150 closed-end home mortgage loans that are reported loans in each year of the prior two calendar years; or
   - At least 400 small business loans that are reported loans in each year of the prior two calendar years.

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New Tests

New Retail Lending Test:
The new Retail Lending is designed to ensure a bank is making sufficient home mortgage, small farm, and small business loans in its assessment areas. The test is applied in each of a bank's assessment areas in each of its retail product lines, home mortgage, small business, and small farm lending. In general, the process works as follows:

1. First, a **Retail Lending Volume Screen** (*explained below)* is applied to assess a bank's volume of retail lending relative to its deposit base, compared to other banks in each facility-based assessment area.
2. Second, **Metrics and Benchmarks** are used to evaluate the following four categories of lending for each of a bank's major product lines in each **Retail Lending Test Area**:
    - Loans in low-income census tracts;
    - Loans in moderate-income census tracts;
    - Loans to low-income borrowers (or to businesses or farms with gross annual revenues of $250,000 or less); and
    - Loans to moderate-income borrowers (or to businesses or farms with gross annual revenues greater than $250,000 but less than or equal to $1 million).
3. Conclusions assigned to each Retail Lending Test Area, and a **weighted average approach** to determine Retail Lending Test conclusions at the State, multistate MSA, and institution levels, are computed to create a final **Retail Lending Test Score**.

1. Retail Lending Volume Screen:

The first component of the Retail Lending Test is the Retail Lending Volume Screen, which is applied in each assessment area. A bank meets or surpasses the Retail Lending Volume Threshold in a facility-based assessment area if the bank has a **Bank Volume Metric** (*defined below*) **of 30 percent** or greater of the **Market Volume Benchmark** (*defined below*) for that facility-based assessment area.

- If a bank meets or surpasses the Retail Lending Volume Threshold in a facility-based assessment area, the evaluation continues.
- If it does not surpass the Volume Threshold, agencies will consider whether the bank had an acceptable reason to not meet the threshold based on several factors including, but not limited to, safety and soundness limitations and the bank's institutional capacity and constraints. If the bank has an acceptable reason, the evaluation continues. If there is no acceptable reason, a rating of "Needs to Improve" or "Substantial Noncompliance" is assessed for that assessment area.

The **Bank Volume Metric** is calculated by summing the bank's annual dollar volume of all home mortgage loans, multifamily loans, small business loans, small farm loans originated or purchased by the bank in the facility-based assessment area in that year. That number is then divided by the bank's annual dollar volume of deposits in the facility-based assessment area. For example:

$$\frac{Bank\ Volume\ Metric\ Loans\ (\$1\ million)}{Bank\ Deposits\ (\$5\ million)} = Bank\ Volume\ Metric\ (20\%)$$

The **Market Volume Benchmark** is calculated by summing the annual dollar volume of all home mortgage loans, multifamily loans, small business loans, and small farm loans in the facility-based assessment area in that year that are reported loans originated by **benchmark depository institutions** (*defined below*) and then dividing that number by the annual dollar volume of deposits for benchmark depository institutions in the facility-based assessment area. For example:

$$\frac{Volume\ Benchmark\ Loans\ (\$20\ million)}{Aggregate\ Market\ Deposits\ (\$50\ million)} = Market\ Volume\ Benchmark\ (40\%)$$

A **benchmark depository institution** means an intermediate or large bank for CRA purposes, or a bank that is a HMDA filer, that operated a facility included in the FDIC's Summary of Deposits data in the facility-based assessment area.

2. Metrics and Benchmarks

Retail Lending Distribution Analysis:

Agencies will evaluate a bank's Retail Lending Test performance in each of its Retail Lending Test Areas by considering the **geographic and borrower distributions** of a bank's loans in its **major product lines.**[1]

- In a **facility-based assessment area or outside retail lending area**.

[1] Auto loans are also evaluated under this test if a bank is a majority automobile lender. Because this is unlikely to apply to many community banks, the evaluation of auto loans is not covered by this summary.

  - a product line is a major product line if the bank's loans in that product line comprise 15 percent or more of the bank's loans across all of the bank's product lines in the facility-based assessment area.
- In a **retail lending assessment area**
  - home mortgages are a major product line if a bank makes least 150 closed-end home mortgage loans in each year of the prior two calendar years.
  - Small businesses are a major product line if a bank makes at least 400 small business loans in each of the prior two calendar years.
- Auto loans are also evaluated under this test if a bank is a majority automobile lender. Because this is unlikely to apply to many community banks, the evaluation of auto loans is not covered by this summary.

Geographic Distribution Analysis:
For closed-end home mortgage loans, small business loans, and small farm loans, respectively, the agencies compare a bank's **geographic and borrower distributions** to performance ranges based on the applicable **market and community benchmarks.**

In each assessment area, the bank will sum, over the years in the evaluation period, the bank's annual number of originated and purchased loans in each major product line in low-income census tracts and in moderate-income census tracts. It will then divide that number by the total number of loans made in that assessment area in each product line. For example:

$$\frac{Bank\ Loans\ in\ Low-Income\ Census\ Tracts\ (50)}{Bank\ Loans\ (250)} = Geographic\ Bank\ Metric\ (20\%)$$

This **Geographic Bank Metric** will then be compared to either the Geographic Market Benchmark or the Geographic Community Benchmark.

The **Geographic Market Benchmark** is calculated by summing, over the years in the evaluation period, the annual number of reported loans in the major product line in low income census tracts and moderate income census tracts in the facility-based assessment area or retail lending assessment area originated by all lenders and then dividing that by the annual number of reported loans in the major product line in the facility-based assessment area or retail lending assessment area originated by all lenders. For example:

$$\frac{Aggregate\ Market\ Loans\ in\ Low - Income\ Census\ Tracts\ (400)}{Aggregate\ Market\ Loans\ (1{,}000)}$$

$$= Geographic\ Market\ Benchmark\ (40\%)$$

While only low-income census tracts are used in this example, the same calculation will be performed with moderate income census tracts.

The **Geographic Community Benchmark** is calculated by the relevant targeted population (eg, the annual number of owner-occupied housing units, the annual number of non-farm businesses, etc.) in low-income census tracts and moderate-income census-tracts by the total number of owner-occupied housing units, non-farm businesses, etc. in the entire facility-based assessment area. For example:

$$\frac{Businesses\ in\ Low - Income\ Census\ Tracts\ (500)}{Businesses\ (4{,}000)}$$
$$= Geographic\ Community\ Benchmark\ (12.5\%)$$

To summarize: in each assessment area, banks will calculate up to 6 Geographic Bank Metrics, each of which will be compared to two possible comparators, as illustrated by the chart below:

Product Line	Bank Geographic Metrics	Comparators
Closed-end home mortgage loans	Percent of mortgage loans in low-income census tracts	Percent of all lenders' mortgage loans in low-income census tracts
		Percent of owner-occupied units in low-income census tracts
	Percent of mortgage loans in moderate-income census tracts	Percent of all lenders' mortgage loans in moderate-income census tracts
		Percent of owner-occupied units in moderate-income census tracts
Small business loans	Percent of small business loans in low-income census tracts	Percent of all lenders' small business loans in low-income census tracts
		Percent of non-farm businesses in low-income census tracts
	Percent of small business loans in moderate-income census tracts	Percent of all lenders' small business loans in moderate-income census tracts
		Percent of non-farm business in moderate-income census tracts
Small farm loans	Percent of small farm loans in low-income census tracts	Percent of all lenders' small farm loans in low-income census tracts
		Percent of farms in low-income census tracts
	Percent of small farm loans in moderate-income census tracts	Percent of all lenders' small farm loans in moderate-income census tracts
		Percent of farms in moderate-income census tracts

To calculate a presumptive "recommended" rating in each retail lending area, a bank's geographic metric is compared to the more favorable comparator in that area. It must attain the following percentage of that benchmark in order to attain the listed recommended rating. Ratings may be adjusted up or down based on certain other performance factors including but not limited to low loan volume, missing data, etc.

Rating	Geographic Market Benchmark	Geographic Community Benchmark
"Outstanding"	115%	100%
"High Satisfactory"	105%	80%
"Low Satisfactory"	80%	60%
"Needs to Improve"	33%	30%

Borrower Distribution Analysis:

The borrower distribution analysis works similarly to the geographic distribution analysis, except instead of evaluating a bank's performance relative to lending in LMI census tracts, it is instead focused on bank lending to the absolute number of LMI individuals or small businesses. First, a **Borrower Bank Metric** is calculated in each major product line in each assessment area. That metric is calculated by summing, over the years in the evaluation period, the bank's annual number of originated and purchased loans in the major product line to designated borrowers in the Retail Lending Test Area and then dividing that number by the sum, over the years in the evaluation period, the bank's annual number of originated and purchased loans in the major product line in the Retail Lending Test Area.

For example, the calculation for loans to low-income borrowers might look like:

$$\frac{Bank\ Loans\ to\ Low - Income\ Borrowers\ (20)}{Bank\ Loans\ (100)} = Borrower\ Bank\ Metric\ (20\%)$$

Once again, this calculation will usually yield six Borrower Bank Metrics in each assessment area. One each for loans to low-income borrowers, moderate income borrowers, small businesses with less than $250,000 in revenue, small businesses with less than $1 million in revenue, small farms with less than $250,000 in revenue, and small farms with less than $1 million in revenue.

The Borrower Bank Metrics will be compared to either the **Borrower Market Benchmark** or the **Borrower Community Benchmark.**

The Borrower Market Benchmark is calculated by summing, over the years in the evaluation period, the annual number of reported loans in the major product line to designated borrowers in the facility-based assessment area or retail lending assessment area originated by all lenders and then dividing that number by the sum, over the years in the evaluation period, the annual number of reported loans in the major product line in the facility-based assessment area or retail lending assessment area originated by all lenders. For loans to low-income borrowers, it might look like:

$$\frac{Aggregate\ Market\ Loans\ to\ Low-Income\ Borrowers\ (100)}{Aggregate\ Market\ Loans\ (1{,}000)}$$
$$= Borrower\ Market\ Benchmark\ (10\%)$$

The **Borrower Community Benchmark** is calculated by summing, over the years in the evaluation period, the annual number of the relevant population (low-income families, small businesses with less than $1 million in revenue, etc.) in the facility-based assessment area or retail lending assessment area and dividing that number by the sum, over the years in the evaluation period, the annual number of the same relevant population in the facility-based assessment area or retail lending assessment area. For example, for low-income families, that calculation might look like:

$$\frac{Low-Income\ Families\ (1{,}000)}{Families\ (4{,}000)} = Borrower\ Community\ Benchmark\ (25\%)$$

Once the six bank metrics and twelve bank benchmarks are calculated in each assessment area, the bank will be compared to the most favorable benchmark in the same manner as the geographic distribution analysis. The bank's "recommended" ratings are then calculated based on the following percentages:

Rating	Borrower Market Benchmark	Borrower Community Benchmark
"Outstanding"	115%	100%
"High Satisfactory"	105%	80%
"Low Satisfactory"	80%	60%
"Needs to Improve"	33%	30%

3. Weighted-Average and Final Retail Lending Test Score

A bank receives its overall score on the retail lending test by a weighted average of its score inside all of its assessment areas. The weighting is done by dollar volume, with bank assessment areas with a higher dollar volume of bank lending accounting for a greater portion of the bank's overall rating. The weight of each assessment area is multiplied by the following numeric value associated with the performance conclusion in that area:

Conclusion	Performance Score
Outstanding	10
High Satisfactory	7
Low Satisfactory	6
Needs to Improve	3
Substantial Noncompliance	0

The sum of the products of each assessment area's calculation will lead to a conclusion for each State, the multistate MSA, or the institution as a whole according to the table below:

Conclusion	Retail Lending Test Performance Score
Outstanding	8.5 or more
High Satisfactory	6.5 or more but less than 8.5
Low Satisfactory	4.5 or more but less than 6.5
Needs to Improve	1.5 or more but less than 4.5
Substantial Noncompliance	Less than 1.5

New Retail Services and Products Test:

The Retail Services and Products Test is designed to evaluate the availability of a bank's retail banking services and retail banking products and the responsiveness of those services and products to the credit needs of the bank's entire community. **The test is applicable only to large banks and is worth 10% of the bank's overall rating.**

The agencies will consider the number and percentage of the bank's branches and remote service facilities within low-, moderate-, middle-, and upper-income census tracts compared to:

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(1) The percentage of census tracts in the facility-based assessment area that are low-, moderate-, middle-, and upper-income census tracts;
(2) The percentage of households in the facility-based assessment area that are in low-, moderate- , middle-, and upper-income census tracts;
(3) The percentage of total businesses in the facility-based assessment area that are in low-, moderate-, middle-, and upper-income census tracts; and
(4) The percentage of all full-service depository institution branches in the facility-based assessment area that are in low-, moderate-, middle-, and upper-income census tracts.

Agencies will also consider whether there are branches or remote service facilities in:
(1) Middle- and upper-income census tracts in which a branch delivers services to low- and moderate-income individuals, families, or households to the extent that these individuals, families, or households use the services offered;
(2) Distressed or underserved nonmetropolitan middle-income census tracts; and
(3) Native Land Areas.

The consideration of branches in middle- and upper- income census tracts that are utilized by LMI individuals is a positive feature because branches that are close to census tract boundaries, on main roads, or in areas where people work rather than live, can actually be well-situated to meet the needs and convenience of LMI customers and evidence that LMI customers actually use and benefit from these branches should be reflected in a bank's CRA evaluation.

With regard to branches, agencies will also consider branch openings and closings and the reasonableness of branch hours and services, in keeping with the approach of the current service test. The new regulation explicitly mentions that there will be consideration of bilingual and translation services; free or low-cost check cashing services, including check cashing services for government-issued and payroll checks; reasonably priced international remittance services; and electronic benefit transfers.

For banks larger than $10 billion in assets, banks will consider the extent to which digital delivery systems serve LMI customers. Large banks between $2-10 billion in assets may elect to have digital delivery systems evaluated at their option.

With regard to products, the agencies will evaluate whether banks offer credit products that:
(1) Facilitate home mortgage and consumer lending targeted to LMI borrowers;
(2) Meet the needs of small businesses and small farms, including small businesses and small farms with gross annual revenues of $250,000 or less;
(3) Are conducted in cooperation with MDIs, WDIs, LICUs, or CDFIs;
(4) Are low-cost education loans; or
(5) Are special purpose credit programs.

For banks greater than $10 billion in assets, the agencies will evaluate the availability of deposit products responsive to the needs of LMI individuals, families, or households. Large banks between $2-10 billion in assets may elect to have deposit products evaluated at their option.

A rating for the Retail Products and Services Test will be assigned in each facility-based assessment area, State and multistate MSA, and for the institution as a whole.

Community Development

Consideration of Community Development Loans, Investments, and Services:
A bank may receive community development credit for a loan, investment, or service that supports community development according to any of the following factors:

a) Affordable housing, which comprises:
   i. rental housing in conjunction with a government affordable housing plan, program, initiative, tax credit, or subsidy
   ii. Multifamily rental housing with affordable rents
   iii. One-to-four family rental housing with affordable rents in a nonmetropolitan area
   iv. Affordable owner-occupied housing for low- or moderate-income individuals
   v. Mortgage-backed securities – where a majority of the underlying loans are home mortgage loans made to low- or moderate-income individuals or loans that finance multifamily affordable housing.

b) Economic development – which comprises:
   i. Government-related support for small businesses and small farms
   ii. Intermediary support for small businesses and small farms
   iii. Other support for small businesses and small farms.

c) Community supportive services – which are services are activities that assist, benefit, or contribute to the health, stability, or well-being of low- or moderate-income individuals, such as childcare, education, workforce development and job training programs, health services programs, and housing services programs.

d) Revitalization or stabilization – which comprises activities that support revitalization or stabilization of targeted census tracts, including adaptive reuse of vacant or blighted buildings, brownfield redevelopment, support of a plan for a business improvement district or main street program, or any other activity that supports revitalization or stabilization.

e) Essential community infrastructure – activities benefitting or serving targeted census tracts, including, but not limited to, broadband, telecommunications, mass transit, water supply and distribution, and sewage treatment and collection systems.

f) Recovery of designated disaster areas – activities that promote recovery of a designated disaster area are those that revitalize or stabilize geographic areas subject to a Major Disaster Declaration administered by the Federal Emergency Management Agency (FEMA).

g) Revitalization or stabilization, essential community facilities, essential community infrastructure, and disaster preparedness and weather resiliency in Native Land Areas.
h) Activities with MDIs, WDIs, LICUs, or CDFI – activities include loans, investments, or services undertaken by any bank. In a difference from the current rule, **an MDI, WDI, or CDFI bank can gain credit from partnering with another MDIs, WDIs, LICUs, or CDFI**. However, credit will not be given for investments by an MDI, WDI, or CDFI bank in itself.
i) Financial literacy – Activities that promote financial literacy are those that assist individuals, families, and households, including low- or moderate-income individuals, families, and households, to make informed financial decisions regarding managing income, savings, credit, and expenses, including with respect to homeownership. In a difference from the current rule, there is **no income test for financial literacy education** and banks will not have to verify that individuals they provide financial literacy education to are LMI individuals.

Bank activities will be eligible for full community development credit if a majority of the activity benefits LMI individuals, per the criteria set by the agencies, if they meet the bona fide intent standard in paragraph described in the regulation, if they involve an MDI, WDI, LICU, and CDFI, or if they involve a LIHTC. If a loan, investment, or service supporting affordable housing does not meet one of the full credit requirements, the bank may receive partial credit in proportion to the percentage of total housing units in any development that are affordable to LMI individuals.

Community Development Illustrative List and Confirmation Process:

As advocated for by ICBA, the agencies will maintain an illustrative, non-exhaustive list of loans, investments, and services that qualify for community development credit. We believe this list will help to provide ideas for new community development loans and investments and increase the certainty about whether a prospective loan or investment qualifies for credit.

Furthermore, the agencies will create a process by which banks can request confirmation from an agency that a loan, investment, or service is eligible for community development credit before that loan or investment is made. We believe this process will promote ex ante certainty about whether activities qualify for credit and lead to increased community development lending and investment.

Impact Review of Community Development Loans, Investments, and Activities:

Whereas the Community Development Financing Test is designed to measure the quantitative impact of Community Development Activities, the agencies also recognize that some Community Development Financing has a community impact that is disproportionately greater than its dollar value. Therefore, the agencies will also evaluate whether a bank's community development loans, investments, and activities are impactful and responsive in meeting community development needs. In conducting this review, agencies will consider whether a loan, investment, or service:

1) Benefits or serves one or more persistent poverty counties;
2) Benefits or serves one or more census tracts with a poverty rate of 40 percent or higher;
3) Benefits or serves one or more geographic areas with low levels of community development financing;
4) Supports an MDI, WDI, LICU, or CDFI, excluding certificates of deposit with a term of less than one year;
5) Benefits or serves low-income individuals, families, or households;
6) Supports small businesses or small farms with gross annual revenues of $250,000 or less;
7) Directly facilitates the acquisition, construction, development, preservation, or improvement of affordable housing in High Opportunity Areas;
8) Benefits or serves residents of Native Land Areas;
9) Is a grant or donation;
10) Is an investment in projects financed with LIHTCs or NMTCs;
11) Reflects bank leadership through multi-faceted or instrumental support; or
12) Is a new community development financing product or service that addresses community development needs for low- or moderate-income individuals, families, or households.

The purpose of impact review is to increase the standardization of factors that agencies consider when evaluating whether a community development loan, investment, or activity is particularly impactful to community needs. Its purpose is not to reduce the importance of the quantitative evaluation of a bank's community development efforts but to add to it. The agencies have stopped short of assigning specific quantitative scores or multipliers based on community impact.

Community Development Financing Test:

The Community Development Financing Test evaluates a bank's commitment to making qualifying CD loans and investments. Compared to the proposal, which would have created a 60/40 split between retail lending and community development, the final rule adopts a 50/50 weighting between retail lending and community development.

For large banks, the Community Development Financing Test will be worth 40% of their overall rating and the Community Development Services Test will be worth 10%. Intermediate banks will have the option to continue to be evaluated under the existing community development framework for ISBs or to opt-in to the new Community Development Financing Test. In either case, it will count for 50% of their overall rating.

Banks will have their community development lending at investment evaluated at the assessment area, state, multistate, and national level using a quantitative framework that will compare their level of qualifying activities to their peers.

Community Development Financing Calculation:

The community development financing calculation is calculated in each of a bank's facility-based assessment areas, states, and multistate MSAs, and the nationwide area. It is a quantitative test, but does not include benchmarks for establishing presumptive conclusions like the Retail Lending Test. The rule also includes qualitative consideration of the impact and responsiveness of banks' community development loans and investments.

First, in each facility-based assessment area, relevant state or multistate MSA, and nationwide, a Bank Community Development Financing Metric is calculated. This metric is the sum of a bank's CD loans and investments in the relevant area, divided by the deposits in the assessment area, calculated as follows:

$$\frac{\textit{Bank's community development loans and investments in the assessment area } (\$100{,}000)}{\textit{Deposits in the bank in the assessment area } (\$10 \textit{ million})}$$

$$= \textit{Bank Assessment Area Community Development Financing Metric } (1\%)$$

The numerator in this calculation should include:

(1) The **dollar volume** of all **community development loans originated or purchased** and community development investments made, including legally binding commitments to extend credit or legally binding commitments to invest, in that calendar year;
(2) The **dollar volume of any increase** in the calendar year to an **existing community development loan** that is refinanced or renewed and in an existing community development investment that is renewed;
(3) The **outstanding dollar volume of community development loans originated or purchased in previous calendar years** and community development investments made in previous calendar years, as of December 31 for each calendar year that the loan or investment remains on the depository institution's balance sheet; and
(4) The outstanding dollar volume, less any increase reported in paragraph 2 in the same calendar year, **of a community development loan the depository institution refinanced or renewed in a calendar year subsequent to the calendar year of origination or purchase**, as of December 31 for each calendar year that the loan remains on the depository institution's balance sheet, and an existing community development investment renewed in a calendar year subsequent to the calendar year of the investment, as of December 31 for each calendar year that the investment remains on the depository institution's balance sheet.

The bank metric is then compared to a peer comparator calculated in each relevant area as follows:

$$\frac{\begin{array}{c}\textit{Community development loans and investments}\\ \textit{in the assessment area by all large depository institutions } (\$10\ \textit{million})\end{array}}{\textit{Deposits in the assessment area in all large depository institutions } (\$1\ \textit{billion})}$$

$$= \textit{Assessment Area Community Development Financing Benchmark } (1\%)$$

If the assessment area is in a metropolitan area, it will also be compared to the following nationwide metropolitan benchmark:

$$\frac{\begin{array}{c}\textit{Community development loans and investments}\\ \textit{nationwide in metropolitan areas by all large depository institutions } (\$300\ \textit{billion})\end{array}}{\textit{Deposits nationwide in metropolitan areas in all large depository institutions } (\$45\ \textit{trillion})}$$

$$= \textit{Metropolitan Nationwide Community Development Financing Benchmark } (0.7\%)$$

If the assessment area is in a non-metropolitan area, it will also be compared to the following nationwide non-metropolitan area benchmark:

$$\frac{\begin{array}{c}\textit{Community development loans and investments}\\ \textit{nationwide in nonmetropolitan areas by all large depository institutions } (\$10\ \textit{billion})\end{array}}{\textit{Deposits nationwide in nonmetropolitan areas in all large depository institutions } (\$1\ \textit{trillion})}$$

$$= \textit{Nonmetropolitan Nationwide Community Development Financing Benchmark } (1\%)$$

Currently, the agencies are not implementing benchmarks to establish presumptive ratings based on the comparison of bank metrics to the relevant benchmarks, but they may at a later date once more data has been collected. They plan to issue additional guidance surrounding this calculation, as well as considering the qualitative impact of community development loans and investments.

Assessment areas and community development activity conducted outside of assessment areas will be calculated by a formula that weights each area using a blend of loan count, dollar volume, and deposits of that area, as follows:

(The percent of a bank's originated and purchased closed-end home mortgage lending, small business lending, and small farm lending in dollars in an assessment area + The percent of a bank's originated and purchased closed-end home mortgage lending, small business lending, and small farm lending in number of loans in that assessment area) ÷ 2 = X

(X + the percent of a bank's deposits in that same assessment area) ÷ 2 = The weight of the assessment area as a percentage of a bank's Community Development Financing Test score.

New Community Development Services Test:
The new CD Services Test evaluates a bank's record of helping to meet the community development services needs of its entire community. This includes evaluation of the number of community organizations served by staff, including in what capacity, for example as member of a board of a nonprofit, and hours served. **This test will count for 10% of the large bank's overall rating.**

In each facilities-based assessment area, the agencies will consider:

(1) The number of qualifying community development services attributable to each type of community development (e.g. community supportive services, disaster recovery, activities with MDIs, WDIs, LICUs, or CDFIs, financial literacy, etc.)
(2) The capacities in which a bank's or its affiliate's board members or employees serve (e.g., board member of a nonprofit organization, technical assistance, financial education, general volunteer);
(3) Total hours of community development services performed by the bank;
(4) Any other evidence demonstrating that the bank's community development services are responsive to community development needs, such as the number of low- and moderate-income individuals that are participants, or number of organizations served; and
(5) The impact and responsiveness of the bank's community development services that benefit or serve the facility-based assessment area, as described by the regulation's impact review.

The agencies will also assess a bank's community development services performance in a State or multistate MSA, as applicable, or nationwide area, and assign a conclusion for those areas, based on a two-component test:

- Component 1: The weighted average of the performance scores corresponding to the bank's Community Development Services Test conclusions for its facility-based assessment areas within a State, multistate MSA, or the whole institution and;
  - Weighting is accomplished by measuring the share of the deposits and loans in each facility-based assessment area as a percentage of the bank's deposits and loans in all facility-based assessment areas in the State, in the multistate MSA, or for the nationwide area, as applicable.
- Component 2: A possible upwards adjustment of Component 1 based on an evaluation of the bank's community development services performed outside of its facility-based assessment areas.

A rating for the Community Development Services Test will be assigned in each facility-based assessment area, State and multistate MSA, and for the institution as a whole.

Strategic Plan:

Banks will continue to have the ability to be evaluated pursuant to an agency approved strategic plan. Plans may not have a term of more than 5 years. Plans must include a focus on the credit needs of its entire community, LMI individuals, families, or households, low- and moderate-income census tracts, and small businesses and small farms. The bank must describe how its plan is responsive to the characteristics and credit needs of its facility-based assessment areas, retail lending assessment areas, outside retail lending area or other geographic areas served by the bank, considering public comment and the bank's capacity and constraints, product offerings, and business strategy.

Banks considering a strategic plan and banks currently evaluated under a strategic plan should review the new regulations carefully as the requirements for strategic plans have materially changed.

Record Retention, Collection, Reporting, and Compliance Date

Data Collection, Reporting, and Disclosure:

The following data collection requirements apply to large banks:

(1) Small business loans and small farm loans data.
(2) Consumer loans data—automobile loans – only required for large banks if a bank is a majority automobile lender.
(3) Home mortgage loans.
(4) Retail banking services and retail banking products data.
(5) Community development loans and community development investments data.
(6) Community development services data.
(7) Deposits data. – large banks over $10 billion in assets will be required to record the dollar amount of its deposits at the county level based on deposit location (i.e. rather than at the branch level as per the FDIC's Summary of Deposits). Annual deposits must be calculated based on average daily balances as provided in statements such as monthly or quarterly statements.

All banks should review the data collection and reporting requirements in detail to determine their applicability to their bank.

Applicability (Compliance Date):

The April 1, 2024, effective date is applicable to provisions of the final rule that are similar to the current CRA regulations: facility-based assessment area delineations, effect of CRA on applications, public file, bank public notice, and CRA examination schedule public notice provisions, as well as the new public engagement provision. As of January 1, 2026, banks are required to comply with all other provisions of the final rule, except for certain reporting requirements, which will be applicable on January 1, 2027.