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Subject: OCC issues new CRA rules; FDIC refuses to agree so effect is limited national banks only

Here is the latest. Will provide richer summary later.

WASHINGTON — The Office of the Comptroller of the Currency released the final version of a rule to modernize the Community Reinvestment Act Wednesday, featuring a [sprawling set of changes](#) that will apply just to national banks and thrifts after other agencies declined to support the reforms.

“The final rule is the culmination of a multiyear process and more than a decade of dialogue about improving how CRA works,” Comptroller Joseph Otting said in a statement accompanying the rule, adding that the agency’s initial proposal received more than 7,400 comments. “We incorporated many of those suggestions in the final rule and appreciate the thoughtful input from all the stakeholders who sought to make the final rule as strong as it could be.”

The OCC released the rule, without support from the Federal Deposit Insurance Corp. or the Federal Reserve Board, just as Otting is said to be planning to step down from the agency this week.

While the rule is set to go into effect in October, OCC-supervised banks will have two years before the new examination standards are in place. And many of the most significant changes — such as new data collection requirements — will not go into effect until January 2024. The rule also includes an asset threshold below which most community banks can decide if they want to opt in to the new CRA regime or stick with the old one.

In contrast to the OCC’s joint CRA proposal with the FDIC released in December, the OCC is going its own way on the final rule.

“While the FDIC strongly supports the efforts to make the CRA rules clearer, more transparent, and less subjective, the agency is not prepared to finalize the CRA proposal at this time,” FDIC Chair Jelena McWilliams said. “The FDIC recognizes the herculean effort community banks are making to support America’s small businesses and families during this challenging time and encourages financial institutions to work constructively with borrowers affected by COVID-19.”

The Federal Reserve declined to join the rule when it was initially proposed in December.

Even on its own, the speed with which the agency has delivered a final rule — which stretches more than 370 pages — has shocked many observers in Washington. Only 41 days have passed since the rule’s comment period ended in mid April. By comparison, the final version of the CRA’s last reform effort, in 1995, was only published 164 days after its comment period ended.

The OCC’s final rule, while still a towering piece of regulation, has a narrower scope compared to the initial proposal. In addition to applying only to nationally chartered banks, the final rule’s asset thresholds will be raised, in addition to re-introducing the distinction between small and intermediate sized banks.

The small bank asset threshold will be raised to \$600 million, up from \$500 million in the initial proposal. Banks under the new threshold can choose whether they want to adopt the new CRA standards. The intermediate threshold will be raised to \$2.5 billion, however, reserving the rule's most stringent requirements for larger banks

Another change appears aimed at concerns echoed by much of the banking industry and community groups that a performance standard anchored to balance sheet totals would put too much weight on large-dollar CRA work, like mortgages, and disincentivize banks from smaller, more targeted lending. In response, the final rule will put stronger emphasis on loan origination as well as balance sheet volume.

"The OCC agrees that retail loan originations are an important type of credit for certain populations and communities of need. Further, the OCC also did not intend to favor one business model over another," the agency wrote in the final rule. "In response to this and similar comments, the final rule provides that retail loan originations sold at any time within 365 days of origination will receive credit for 100 percent of the origination value."

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