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20th Street and Constitution Avenue NW
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Federal Deposit Insurance Corporation
550 17th Street NW
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18 August 2025

RE: Docket ID OCC-2025-0005 Proposal to rescind the 2023 rule on implementation of the Community Reinvestment Act

Dear officers,

On behalf of more than 500,000 members and supporters of Public Citizen, we provide the following comment on the joint agency proposal to revise regulations implementing the Community Reinvestment Act (CRA). (This proposed rule comes from the Federal Reserve, the Comptroller of the Currency, and the Federal Deposit Insurance Corp., which we will refer to hereafter as the “agencies.”) Public Citizen members have an immediate interest in robust implementation of the CRA: some of our members suffer from racial and other forms of discrimination; all our members staunchly oppose such discrimination; and all our members thrive in communities when discriminatory lending is erased.

The agencies’ 2023 CRA rule responds to the urgent need to meet the underlying legislative intent of the CRA, namely, to combat discriminatory lending. Despite the reality of marginalized communities across the country facing discrimination in their access to the financial system, we have seen the current administration focus efforts on

protecting access for dubious crypto entities and limiting the impact of climate-related and reputational risks on the bank supervision process. This willful disregard for the plight of communities that are facing real “de-banking” due to race and other factors is highly problematic. It adds to our concern over the proposed deregulatory action that is the focus of our comment.

The 2023 rule marked a major step forward in modernizing implementation of the CRA to respond to the needs of low-and-moderate income (LMI) communities, particularly those attempting to deal with increasingly severe climate-related impacts. The agencies’ proposal to revert back to the 1995 rule is an effort to offer banks an off ramp to providing credit to low- and moderate-income communities at a time when these communities need it the most. While the Trump administration is fueling more extreme weather-related impacts to communities, by driving as much fossil fuel production as possible and rescinding environmental protections, families and communities are struggling to find the funds they need to build resilience and respond to the surging number of climate-driven wildfires, floods, and hurricanes threatening them. Incentives provided to banks to extend credit to these communities given these harms, and given changes to the banking sector in the last thirty years, will be lost, and low- and moderate-income communities will suffer due to the decision to favor banks over people.

In this context, we offer these comments, and support the sign-on letter prepared by NCRC. We strongly urge you not to repeal the 2023 CRA rule.

CRA Requirements and Implementing Rules Were Intended to Respond to Inequities

When President Jimmy Carter signed the CRA into law in 1977, it was passed in the context of decades-long policies that deprived majority-Black neighborhoods of credit and led to systematic disinvestment in communities of color. The government-backed practice of “redlining” low-income and majority-minority areas,¹ purportedly based on risks to lenders, had significant racialized domino effects on homeownership, wealth, and community resilience that persist today. The relative inability of Black families to secure home loans left a significant homeownership gap between Black and white families – 43.1% compared to 74.4%² – and, in turn, left Black families with less personal wealth.³ Disinvestment in redlined communities contributed to disrepair in housing and other infrastructure, increased exposure to health hazards and pollution, and decreased access to healthy food, green spaces, reliable transportation, and good

¹ <https://dsl.richmond.edu/panorama/redlining/#loc=5/39.1/-94.58>

² <https://www.census.gov/housing/hvs/files/currenthvspress.pdf>

³ <https://www.nytimes.com/interactive/2020/08/24/climate/racism-redlining-cities-global-warming.html>

schools.⁴ A series of government interventions to address redlining policies began in 1968 with the Fair Housing Act, which outlawed discrimination in the sale, rent, and financing of housing. In 1977, the CRA aimed to encourage federally insured financial institutions (a category that includes most banks and credit unions) to meet the credit and lending needs of the local communities where the institutions were chartered. Though not considered a panacea by policymakers, the law⁵ was noteworthy insofar as it obligated banks to serve their communities.⁶

The law requires federal banking regulators to assess the extent to which financial institutions are meeting the credit needs of the “entire community” – including low- and moderate-income (LMI) neighborhoods – while operating in a safe and sound manner, and to consider this record when deciding whether to approve an ‘application for a deposit facility.’ Rules implementing the law direct the banks to delineate the areas within which regulators will assess and rate the bank’s lending, service, and investment activities, and to draw these areas around the bank’s main offices, branches, deposit-taking ATMs, and loan locations. The rules further specify that CRA-related ratings must be considered when banks apply for charters, branches, mergers, and acquisitions among other things.

The CRA Has Not Met Its Potential, and Key Assumptions Have Been Upended

Although lending to LMI families has increased since the CRA was enacted, it’s not clear how much of this increase is due to the CRA or to other factors – including better ways to predict and price borrower risk.⁷ More clear, however, is that Black and other communities of color *continue to face severe barriers* accessing credit and other financial services.

One key reason for these communities’ continued lack of access to financial service relates to the fact that several key assumptions underlying the CRA and its implementing rules have been upended in the past decades, including: the lay of the banking and credit-access landscape, the effectiveness of current approaches to

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<https://www.npr.org/sections/health-shots/2020/11/19/911909187/in-u-s-cities-the-health-effects-of-past-housing-discrimination-are-plain-to-see>

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https://ncrc.org/the-purpose-and-design-of-the-community-reinvestment-act-cra-an-examination-of-the-1977-hearings-and-passage-of-the-cra/#_ednref18

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https://ncrc.org/the-purpose-and-design-of-the-community-reinvestment-act-cra-an-examination-of-the-1977-hearings-and-passage-of-the-cra/#_ednref18

⁷ <https://sgp.fas.org/crs/misc/R43661.pdf>

delineating assessment areas and allocating credits, and the utility of the existing rating system. And climate change is creating additional challenges for CRA effectiveness.

This framework was clearly designed under the assumption that banks serve communities via branches. But banks are reducing the number of bank branches, and even going branchless, in response to technological innovations and online banking. As a result, an increasing number of areas lack physical bank branches to meet the credit needs of the local population. According to the Brookings Institute, from 2010 to 2019 the number of banks in majority-black neighborhoods decreased 14.6%, and majority Black census tracts are now less likely to have a bank branch than non-majority Black neighborhoods.⁸

Even where branches exist, the current approaches to creating assessment areas around those branches and allocating points for activities often fail to ensure that LMI community needs – and particularly those of racial minorities – are met. One reason is that banks create these areas. While they are directed not to arbitrarily exclude LMI neighborhoods, it's difficult to determine whether racial discrimination is occurring because racial demographics aren't a factor in examinations.⁹ Moreover, heavy reliance on census tracts to direct lending can promote gentrification – too often, loans in LMI areas go to high-income individuals who do not otherwise need CRA-related benefits. A study in Washington DC found that two-thirds of the mortgage loans eligible for the CRA in the District went to higher-income borrowers living in low-income areas.¹⁰

Additionally, the current CRA ratings don't adequately reflect differences in how banks are serving LMI communities. The high pass rate – 98% of banks passed their CRA exams between 2005 and 2017¹¹ – doesn't capture CRA-related benefits. This lack of nuance and distinction in performance evaluations affects a bank's motivation to increase lending, investment and other services in LMI neighborhoods. Community

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<https://www.brookings.edu/research/an-analysis-of-financial-institutions-in-black-majority-communities-black-borrowers-and-depositors-face-considerable-challenges-in-accessing-banking-services/>

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https://www.urban.org/sites/default/files/publication/105283/should-the-community-reinvestment-act-consider-race_1.pdf

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https://www.washingtonpost.com/opinions/local-opinions/a-tool-that-helps-minorities-buy-homes-is-speeding-up-gentrification-in-the-district/2019/08/09/10c08366-a744-11e9-9214-246e594de5d5_story.html/

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<https://ncrc.org/do-cra-ratings-reflect-differences-in-performance-an-examination-using-federal-reserve-data/>

groups have advocated for changes to reduce subjectivity in ratings and better incentivize bank action.¹² And the 2023 rule adopted some of these changes.

Climate Change Is Compounding CRA Challenges.

Climate change is compounding CRA challenges and highlighting its shortcomings. More specifically, climate harms are increasing credit needs in climate-vulnerable areas while simultaneously straining the abilities of banks to provide access to credit.

Climate change is increasing the frequency and intensity of extreme weather-related events. And it is making physical risks – risks that these events will physically impact assets – less predictable, much more severe, and more likely. 2024 was a record 14th consecutive year where the U.S. experienced 10 or more billion-dollar disasters and the fifth consecutive year (2020–24) where 18 or more billion-dollar disasters impacted the United States.¹³ An analysis by Bloomberg Intelligence found that the U.S. has spent nearly \$1 trillion dollars on disaster recovery and other climate-related needs over the 12 months ending May 1, 2025, totalling three percent of GDP.¹⁴

It is crucially important for communities to have access to credit for climate mitigation and resilience measures, and even more so for communities impacted by redlining. The legacy of redlining and its contribution to subpar infrastructure in redlined areas leaves these areas with heightened vulnerability to climate-related harms.¹⁵ Flood maps reveal that, in two-thirds of states, minority neighborhoods shoulder more undisclosed flood risk than the state average.¹⁶ One expert explains, “While the primary consequence of red-lining was to undermine the ability of Black families to generate cross-generational wealth . . . it also left them deprived of local infrastructure investment—and disproportionately exposed to the very flood impacts that now again threaten the availability of home loans.”¹⁷ Additionally, the redline-related wealth gap now also reduces the financial capacity of LMI communities to pursue mitigation, resilience, and adaptation measures.

While climate change is increasing the need for credit, it is also further challenging the abilities of banks to provide access to credit in climate-vulnerable areas. Although the

¹²

<https://ncrc.org/do-cra-ratings-reflect-differences-in-performance-an-examination-using-federal-reserve-data/>

¹³ <https://www.ncei.noaa.gov/news/national-climate-202413>

¹⁴

<https://www.bloomberg.com/news/articles/2025-06-17/us-spending-on-climate-damage-nears-1-trillion-per-year>

¹⁵ <https://qz.com/1876202/new-flood-risk-maps-could-undermine-marginalized-neighborhoods/>

¹⁶ <https://firststreet.org/>

¹⁷ <https://qz.com/1876202/new-flood-risk-maps-could-undermine-marginalized-neighborhoods/>

CRA encourages banks and savings associations to help meet the credit needs of the communities in which they are chartered, it directs these institutions to do so only in a “safe and sound” manner. Safe and sound measures in this context include withholding or increasing costs for risky lending and investments. Such measures have been termed “bluelining.”

Community banks are particularly constrained as the realities of climate change are colliding with their geographically rooted nature. They can’t easily move or shift their assets; they exist to serve particular communities and particular needs. Analyses also reflect that community banks are particularly important for the home mortgage needs of LMI communities.¹⁸ For many community banks, the largest proportion of their assets include not only mortgage loans but also other loans that are highly vulnerable to climate change. As nonprofit sustainability organization Ceres has observed, based on their local expertise, community banks tend to focus on a few key sectors, such as residential mortgages, commercial real estate (CRE), small business financing, and agricultural sector loans.¹⁹ Given this focus, community bank loan portfolios are more exposed to the physical risks of climate change. These are the very assets the CRA was enacted to support for local communities. Ceres observes there “are already examples of climate-related disasters that have fundamentally impacted the safety and soundness of community banks and credit unions.” With more limited measures to manage climate-related risks, community banks would benefit most from activities that reduce climate change impacts.

The 2023 Rule Responds to Our Changing Credit Needs, and Should be Retained

The 2023 rule supports investments in measures that build climate related resilience at the community level. Reversion to the 2019 rule would significantly reduce this support, particularly for communities that are most vulnerable to climate-related impacts. It would appear to reflect an effort to offer banks an off ramp to providing credit to low- and moderate-income communities at a time when these communities need it the most. While the current administration is fueling more extreme weather-related impacts to communities, driving as much fossil fuel production as possible, rescinding environmental protections, and reducing federal financial support to respond to climate-related threats and harms, families and communities are struggling to find the funds they need to build resilience and respond to the surging number of climate-driven

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<https://www.philadelphiafed.org/-/media/frbp/assets/events/2019/community-development/research-symposium-on-the-community-reinvestment-act/research-symposium-on-the-community-reinvestment-act-callem-lambiehanson-wachter.pdf>

¹⁹

<https://www.ceres.org/sites/default/files/reports/2021-09/Ceres%20Financing%20a%20Net%20Zero%20Economy%20FINAL.pdf>

wildfires, floods, and hurricanes threatening them. If this rule were rescinded, incentives provided to banks to extend credit to communities would be lost, and low- and moderate-income communities would suffer.

We therefore urge you not to choose the interests of banks over the communities the CRA was enacted to protect, and not to repeal the 2023 rule.

Sincerely,

Public Citizen