

Community Reinvestment Act Modernization

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Issue Update

On March 28, 2025, the Federal banking agencies announced that they intend to issue a Notice of Proposed Rulemaking (NPR) to rescind the 2023 Community Reinvestment Act (CRA) Rule and replace it with the legacy CRA framework. The agencies said that they made the announcement “due to pending litigation.”

On October 24, 2023, the Federal banking agencies adopted a final rule that attempted to modernize the CRA regulations. ABA challenged the rule in federal district court, arguing that the agencies exceeded their statutory authority and acted arbitrarily and capriciously in adopting the new rule. The court issued a preliminary injunction pausing the new rule and subsequently stayed the case following the agencies’ March 28th announcement.

ABA understands that the agencies aim to issue the NPR in summer of 2025.

Why it Matters To Your Community

The 2023 CRA Rule would have been a significant regulatory shift and may have reduced—rather than expanded—access to credit for mortgages, small business loans, and community development financing. In addition, the complexity and statutory overreach presented by the 2023 CRA rule was a pronounced departure from the original goal of CRA modernization, which was to clarify—not complicate or overhaul—the CRA regulatory framework.

Recommended Action Items

Support the agencies’ efforts to repeal the 2023 CRA rule and replace it with the 1995 CRA rule, which remains in effect pending the resolution of ABA’s legal challenge. Regulators should provide stability and predictability following multiple unsuccessful attempts to modernize CRA over a span of seven years.

Separate from the rulemaking process, the agencies should issue clarifications to the 1995 Rule (such as what counts for community development consideration) and make improvements to the CRA examination process.