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US banking regulators expand fair lending standards to cover online banking

Article

The news: The Federal Reserve, Federal Deposit Insurance Corp. (FDIC), and Office of the Comptroller of the Currency have issued an update to the Community Reinvestment Act

(CRA), an anti-redlining law from 1977.

- It's the first significant update to the CRA in nearly three decades.

Breaking down the law: The changes, which go into effect in January 2026, will reshape how financial institutions (FIs) engage with online banking.

- To combat the racial homeownership gap, FIs will be required to increase their lending in low- and moderate-income communities.
- The rule expands the geographic focus of lenders' responsibilities from physical branches to areas where FIs have a concentration of mortgage and small-business loans. This aligns the CRA with modern online banking practices and brings in peer and demographic data benchmarks.
- The threshold is now higher for assessing large banks' retail lending operations, and reporting requirements have increased, depending on the size of the FI and its online service offerings.

Agency leaders say the final rule simplifies compliance and makes it easier for FIs to get better grades by:

- Extending loans and services to low-income communities where they have a concentration of online lending activity
- Collaborating with regulators to identify and confirm the types of activities that can earn credit under the CRA grading system

The rule has met with mixed reactions: Despite regulators' efforts to reduce the complexity of the final rule, some FIs are considering litigation.

- Some lobbyists were "pleasantly surprised" by the changes to the rule, but Fed Governor Michelle Bowman voted against it, citing the added costs for FIs.
- Midsize banks with over $2 billion in assets will be considered "large banks" under the new rules, raising concerns about their ability to compete while facing the same requirements as the largest banks.

The bottom line: While the updated CRA rules might introduce additional compliance requirements for banks, they also serve as a reminder that FIs must ensure they're reaching all prospective customers.

- By actively addressing the racial homeownership gap and extending loans to communities where their online banking is concentrated, banks will not only meet regulatory expectations, they'll also tap into a potentially underserved market.
- Closing this gap may lead to the acquisition of new customers and long-term growth opportunities. Focusing on inclusivity can be synonymous with a profitable business strategy.