

FEDERAL RESERVE BANK OF SAN FRANCISCO
101 MARKET STREET, SAN FRANCISCO, CALIFORNIA

February 12, 2004

**BANKING SUPERVISION AND REGULATION:
PROPOSED RULEMAKING—CRA**

To State Member Banks, Bank
Holding Companies, U.S. Branches
and Agencies of Foreign Banks,
and Others Concerned,
in the Twelfth Federal Reserve District

Bank and Thrift Agencies Publish Proposed Rulemaking Regarding the Community Reinvestment Act (R-1181)

The federal bank and thrift regulatory agencies have published in the *Federal Register* a joint interagency notice of proposed rulemaking (NPR) regarding the Community Reinvestment Act (CRA).

CRA directs the agencies to assess an insured depository institution's record of meeting the credit needs of its entire community, and to consider that record when acting on certain applications for branches, office relocations, mergers, consolidations and other corporate activities. The NPR is the product of an interagency review of the CRA regulations that fulfilled the commitment the agencies made when they adopted the current CRA regulations in 1995 to review the regulations to determine whether they were producing objective, performance-based CRA evaluations without imposing undue burden on institutions.

The proposed rulemaking, which is being published by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency and the Office of Thrift Supervision, underscores the agencies' conclusion that the CRA regulations are essentially sound, but need to be updated to keep pace with changes in the financial services industry.

This proposed rule was developed following the agencies' review of the CRA regulations, which included an analysis of about four hundred comments received on the Advance Notice of Proposed Rulemaking.

The agencies are proposing amendments to the CRA regulations in two areas:

First, to reduce unwarranted burden consistent with the agencies' ongoing efforts to identify and reduce regulatory burden, the agencies are proposing to amend the definition of "small institution" to mean an institution with total assets of less than \$500 million, without regard to any holding company assets.

This change would take into account substantial institutional asset growth and consolidation in the banking and thrift industries since the definition was adopted. The proposal would increase the number of institutions that are eligible for evaluation under the small institution performance standards, while only slightly reducing the portion of the nation's bank and thrift assets that is subject to evaluation under the large retail institution performance standards.

Second, in order to better address abusive lending practices in CRA evaluations, the agencies are proposing to amend the regulations to provide explicitly that an institution's CRA evaluation will be

adversely affected by evidence of specified discriminatory, illegal, or abusive practices by the institution or by an affiliate whose loans were considered in the evaluation as part of the institution's own CRA record.

In addition, the agencies also propose several enhancements to the loan data disclosed in CRA public evaluations and CRA disclosure statements.

Comments must be received by April 6, 2004.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's Internet site, at <http://www.frbsf.org/banking/letters>. Paper copies of Docket R-1181 are available from our Corporate Services Department. To request copies to be sent by mail, please call (415) 974-2060.

For additional information about the proposed rulemaking, please contact our Banking Supervision and Regulation Department at (415) 974-2920.

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[Attachment: Docket R-1181](#)