

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

August 5, 2005

**BANKING SUPERVISION AND REGULATION:
FINAL COMMUNITY REINVESTMENT ACT RULES**

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

Banking Agencies Issue Final Community Reinvestment Act Rules (Docket R-1225)

The federal banking agencies have approved final Community Reinvestment Act (CRA) rules that are intended to reduce regulatory burden on community banks while making CRA evaluations more effective in encouraging banks to meet community development needs. The final rules are essentially the same as when the agencies proposed them in March.

The final rules raise the small bank asset size threshold to assets of less than \$1 billion without regard to holding company affiliation. Accordingly, the new rules reduce data collection and reporting burden for "intermediate small banks" (banks with assets between \$250 million and less than \$1 billion) and, at the same time, encourage meaningful community development lending, investment and services by these banks.

Under the new rules:

- Intermediate small banks will no longer need to collect and report CRA loan data. Nevertheless, examiners will continue to evaluate bank lending activity in the CRA examinations of intermediate small banks and disclose results in the public evaluation.
- Intermediate small banks will be evaluated under two separately rated tests: the small bank lending test; and a flexible new community development test that includes an evaluation of community development loans, investments, and services in light of community needs and the capacity of the bank. Satisfactory ratings are required on both tests to obtain an overall satisfactory CRA rating.

In addition, for banks of any size:

- The new rules expand the definition of community development to include activities that revitalize or stabilize designated disaster areas and distressed or underserved rural areas. By including designated distressed or underserved rural areas, the agencies intend to recognize and encourage community development in more rural areas. (Designated distressed or underserved rural areas are to be listed by the agencies on the Federal Financial Institutions Examination Council website, www.FFIEC.gov/cra.)
- The regulations also clarify when discrimination or other illegal credit practices by a bank or its affiliate will adversely affect an evaluation of the bank's CRA performance.

The rules, which are being issued jointly by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency, take effect on September 1, 2005. The agencies will have interim CRA examination procedures for intermediate small banks in place by August 1.

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>.

For additional information about the final CRA rules please contact our Banking Supervision and Regulation Department at (415) 974-3028.

FEDERAL RESERVE BANK OF SAN FRANCISCO

Attachment: [Docket R-1225](#)