

Greetings,

On behalf of the San Joaquin Valley partnership, thank you for attending the *What the New CRA Changes Mean for the Central Valley* meeting on August 11. We hope the presentation was helpful to you in understanding how the new regulation will affect your institution. We appreciate the many comments and questions that were shared to illuminate your challenges in serving a rural geography with a metropolitan designation. We recognize the importance of helping you to comply not only with the letter of the Community Reinvestment Act, but perhaps more critically, with the spirit. We believe that your ongoing involvement with the Central Valley Roundtable series and the opportunities that are presented will promote success in this effort.

A copy of the presentation provided by John Olson of the recent revisions to the CRA regulation can be found at www.sanjoaquinvalley.us. The new regulation becomes effective as of September 1. The new regulation most significantly impacts institutions above \$250 million and below \$1 billion dollars, which now fall into a new category: small intermediate. Banks in this category, will no longer be required to comply with three separate tests, but will instead be subject to the small bank lending test and a newly crafted community development test.

Of particular note is that the regulation has expanded eligible geographies to include nonmetropolitan middle-income rural areas that are considered "distressed or underserved." A list of these new geographies along with the final regulation and other supporting documentation will be available on the website of the Federal Financial Institutions Examinations Council (www.FFIEC.gov) as of September 1. A copy of the final regulation can be accessed from the community affairs section of the Federal Reserve Bank of San Francisco (www.frbsf.org/community/craresources/info.html).

We also wish to thank Paul Boyer and Dave Warner for their insightful presentation about the Valley's infrastructure needs on behalf of the Rural Infrastructure Subcommittee. As we heard, the Valley faces a number of water and wastewater infrastructure issues such as age, capacity, and lack which stand in the way of both housing and commercial development projects. There is an immediate call for technical assistance, lending and investment that we hope you will respond to; some specific ideas are delineated below.

Significant outcomes and issues discussed

Call to establish a loan fund or to identify other mechanisms such as bonds that can be used for predevelopment finance of water/wastewater and other infrastructure projects. Bob Jennings will follow-up with individuals that expressed an interest in sharing expertise on this effort. Such technical assistance would be CRA eligible.

Need for further regulatory guidance about the CRA eligibility of financing infrastructure projects which don't only benefit low- and moderate-income geographies. The revised Q&A, which is expected to be released on September 1, may offer guidance on this issue. If not, your comments about the significance of infrastructure projects to community development in the Valley might be helpful in getting this recognized.

Desire to work more closely with community based organizations in order to conduct more effective community needs assessments

Future meetings (register at www.frbsf.org/community/resources/events.html)

September 22: Financing a Better Quality of Life (*note: CRA officers may also want to invite their CFO and/or commercial lender to this meeting*)

discussion about how to leverage your community development investment in the New Markets Tax Credit and a multibank lending consortium

presentations about the significance of the renewable energy industry for the Valley's economy and proposals from companies looking to locate in the Valley

October 11: California Community Revitalization Initiative

November 8: Accessing New Customers (date rescheduled from October 20)

You should not hesitate to contact me with any questions, ideas or concerns that you may have. We look forward to seeing you soon.

Lena Robinson

Community Investment Specialist

Federal Reserve Bank of San Francisco

phone: 415/974-2717

fax: 415/393-1920

<http://www.frbsf.org/community/index.html>