

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

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To State Member Banks, Bank
Holding Companies, Financial Holding
Companies, and Foreign Bank Offices
in the Twelfth Federal Reserve District

Agencies Propose to Expand Scope of Community Reinvestment Act Regulations

The federal bank and thrift regulatory agencies announced on June 17, 2010 a proposed change to the Community Reinvestment Act (CRA) regulations to support stabilization of communities affected by high foreclosure levels. The proposed change specifically would encourage depository institutions to support the Neighborhood Stabilization Program (NSP) administered by the U.S. Department of Housing and Urban Development (HUD).

Under the NSP, HUD has provided funds to state and local governments and nonprofit organizations for the purchase and redevelopment of abandoned and foreclosed properties. The agencies' proposal would encourage depository institutions to make loans and investments and provide services to support NSP activities in areas with HUD-approved plans.

The proposal would supplement existing CRA consideration for community development activities, including neighborhood stabilization activities. For example, for NSP areas identified in HUD-approved plans, the agencies would provide CRA consideration for activities that benefit individuals with incomes of up to 120 percent of the area median and geographies with median incomes of up to 120 percent of the area median. NSP-eligible activities would receive favorable consideration under the new rule only if conducted within two years after the date when NSP program funds are required to be spent.

Allowing banking institutions to receive CRA consideration for NSP-eligible activities in additional NSP-targeted areas creates an opportunity to leverage government funding targeted to areas with high foreclosure and vacancy rates and also serves the purposes of the CRA.

The proposed rule is attached. Comments on the proposed rule must be submitted no later than 30 days from the date of its publication in the *Federal Register*, which is expected shortly.

Separately, the agencies also announced on June 17, 2010 they will hold four hearings to consider public comment on all aspects of the CRA regulations during the summer of 2010.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking/letters>.

For additional information, please contact:

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Attachment: [Community Reinvestment Act Regulations](#)