

OCC News Release 2005-19

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**Federal Banking Agencies Propose Revisions to Community
Reinvestment Act Regulations**

The Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) today issued a joint notice of proposed rulemaking that would revise certain provisions in their regulations implementing the Community Reinvestment Act (CRA). More than 11,000 public comments received on the FDIC's August 2004 CRA proposal were considered in forming this new proposal.

To alleviate regulatory burden on community banks, the proposal would raise the threshold for a "small bank" in the CRA regulations from \$250 million to include those banks with under \$1 billion in assets, regardless of any holding company size or affiliation.

A new "Community Development Test" would be added for banks with at least \$250 million and less than \$1 billion in assets ("intermediate small banks") that would be separately rated in CRA examinations. The community development test would provide greater flexibility to intermediate small banks than under the large bank tests applicable to them currently, by enabling them to allocate their resources for CRA purposes among community development loans, investments and services based on the needs of their community. An intermediate small bank would not receive an overall CRA rating of "satisfactory" unless it received a "satisfactory" rating on both the small bank lending test and the community development test. In addition, intermediate small banks would not be required to collect and report certain CRA loan data.

The proposal would also expand the definition of community development to include activities such as affordable housing in underserved rural areas and designated disaster areas. The agencies seek comment on the best way to identify "underserved" rural areas to ensure that CRA activities are targeted to the rural communities and persons in those communities most in need of community development and affordable housing.

The proposal also would address the adverse effect of discriminatory or other illegal activities on bank CRA ratings.

The proposed changes approved today should provide regulatory relief for community banks, but also preserve and maintain meaningful community development activities by those banks. Previous proposals to revise agency CRA regulations have been issued by the OCC, FDIC, Federal Reserve and Office of Thrift Supervision in February, 2004, and again by the FDIC in August, 2004. Comments received on those proposals were taken into account in developing the new proposal approved today.

Comments on today's joint notice of proposed rulemaking are requested for 60 days after publication in the Federal Register.

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