

Community Reinvestment Act Final Technical Amendments to CRA Regulations

The Federal Deposit Insurance Corporation (FDIC), the Board of Governors of the Federal Reserve System (FRB), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS) have adopted in final form, without any changes, technical changes to the regulations implementing the Community Reinvestment Act (CRA), effective March 28, 2005.

This FIL supersedes FIL-91-2004, which requested comments on the interim rule, published in the *Federal Register* on July 8, 2004. Attached are the July 2004 *Federal Register* notice requesting comments on the interim rules and the March 2005 notice announcing that the rules have been adopted in final form.

This joint rule amends the agencies' CRA regulations to conform with recent changes made by the Office of Management and Budget (OMB) regarding the Standards for Defining Metropolitan and Micropolitan Statistical Areas, as well as the changes to the definitions related to census tracts adopted by the U.S. Bureau of the Census (Census). The technical amendments further revise the CRA regulations to implement the FRB's recent amendments to the Home Mortgage Disclosure Act (HMDA) regulations. The amendments are described below.

Changes Resulting from OMB Revisions

OMB's standards for defining statistical areas provide nationally consistent definitions for government agencies to use when collecting, tabulating and publishing federal statistics by geographic area. OMB updates these standards approximately every 10 years.

The agencies' CRA regulations rely on OMB standards for defining metropolitan areas for purposes of CRA data collection and reporting, and for delineating institutions' assessment areas. Under OMB's 1990 standards, metropolitan areas consisted of: (1) metropolitan statistical areas (MSAs); and (2) larger consolidated metropolitan statistical areas (CMSAs). CMSAs consisted, in turn, of primary metropolitan statistical areas (PMSAs).

On December 27, 2000, OMB published in the *Federal Register* a notice adopting new standards for defining metropolitan and micropolitan statistical areas. These new standards replaced and superseded OMB's 1990 standards for defining metropolitan areas. The 2000 standards retain the basic concept of an MSA (an area with a population of at least 50,000) and continue to recognize that in large MSAs, demographic and economic conditions vary widely. According to OMB, those variations necessitate dividing large MSAs into "metropolitan divisions," smaller statistical areas similar to PMSAs.

OMB updated the list of MSAs and other statistical areas, effective December 2003, in a bulletin issued in February 2004. OMB directed all agencies that conduct statistical activities to collect and publish data for MSAs using the most recent definition of the area. To that end, the agencies have made final the corresponding changes to the CRA regulations to incorporate OMB's new standards and definitions following publication of a joint interim rule in July of 2004 requesting comments on these amendments.

Changes Resulting from Census Revisions

Prior to the joint interim rule, the CRA regulation defined the term "geography" as "a census tract or a block-numbering area delineated by the United States Bureau of the Census in the most recent decennial census." Prior to Census 2000, a "block-numbering area" was a statistical subdivision created for grouping and numbering blocks within a county for which census tracts had not been established. Beginning with Census 2000, the Census assigned tracts in all

counties, making block-numbering areas unnecessary. As a result, the definition of "geography" has been revised to omit the term "block-numbering area" (§ 345.12(k)).

The revised definition of "geography" affects CRA assessment area delineation and data collection and reporting. First, when delineating an assessment area, a financial institution must include only whole geographies. Second, data about small business, small farm, community development, and consumer loans include loan location, which is the geography (census tract) in which the loan or borrower is located.

Changes Resulting from Revisions to the Board's Regulation C

Prior to January 2004, the CRA regulation defined a "home mortgage loan" to mean a "home improvement loan" or a "home purchase loan" as defined in Regulation C, 12 CFR 203.2. The interagency CRA guidance published by the agencies made clear that this definition of "home mortgage loan" also included refinancings of home improvement and home purchase loans. See 66 FR 36620, 36628 (July 12, 2001) (question 1 addressing §§ __.12 (m)).

Effective January 1, 2004, the revised Regulation C definition of "refinancing" states that a loan is reportable as a refinancing if it satisfies and replaces another obligation, and both the existing obligation and the new obligation are secured by a lien on a dwelling, 12 CFR 203.2(k). Before these revisions, a lender could choose among four standards to determine which refinancings to report; two of the standards considered the purpose of the loan being refinanced.

Under the revised definition, the purpose of the loan being refinanced is not considered. As a conforming change, this joint final rule amends the definition of "home mortgage loan" in the CRA regulations to include refinancings as well as home purchase loans and home improvement loans, as defined in 12 CFR 203.2. In some cases, the revised definition of a home mortgage loan will capture more of an institution's originations or purchases of refinanced loans than the old definition captured because refinancings reported under HMDA may also be reported as refinancings of small business or small farm loans under CRA.

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