



Community Reinvestment Act

FIL-15-2004
February 6, 2004

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: Federal Banking and Thrift Regulatory Agencies Seek Comment on Proposed Amendments to the Community Reinvestment Act Regulations

Summary: *The federal banking and thrift regulatory agencies are seeking public comment on a joint proposal to amend the Community Reinvestment Act (CRA) regulations. The proposed amendments are intended to reduce undue regulatory burden, by changing the definition of "small institution," and to better address abusive lending practices. The proposal also includes several changes concerning the public disclosure of CRA loan data by the regulatory agencies. Comments are due by April 6, 2004. The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) has approved the attached final rule to clarify and simplify the agency's deposit insurance regulations for accounts held in connection with living trusts. The final rule will take effect on April 1, 2004, but the FDIC will apply the new regulations to living trust deposits at any insured institution that fails between January 13, 2004 (the date of the Board action), and April 1, 2004, if doing so would benefit the affected depositors.*

The Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision have conducted a joint review of the Community Reinvestment Act (CRA) regulations, fulfilling the commitment the agencies made when adopting the joint CRA regulations in 1995. As part of their review, the agencies published an advance notice of proposed rulemaking (ANPR) on July 19, 2001, seeking comment on a wide range of questions. As a result of that review, the agencies have now issued the attached joint notice of proposed rulemaking (NPR) regarding changes to the CRA regulations. Comments are due by April 6, 2004.

The agencies are proposing changes to the regulations in two significant areas:

- To reduce undue regulatory burden, the proposal would change the definition of "small institution" to mean an institution with total assets of less than \$500 million, without regard to holding company assets. This would increase the number of institutions that are eligible for evaluation under the small institution performance standards, while only slightly reducing the portion of the nation's bank and thrift assets subject to evaluation under the large retail institution performance standards.
- To better address abusive lending practices, the proposal clarifies that, for a financial institution, evidence of discriminatory or other illegal credit practices would have a negative effect on a CRA evaluation, whether occurring inside or outside assessment areas. In addition, a pattern or practice of extending secured loans based on the foreclosure or liquidation value of the collateral, where the borrower could not be expected to repay, would have a negative effect on the evaluation as well. Also, if a

financial institution elects to have certain product categories of an affiliate's lending activity considered, then evidence of any such credit practices by the affiliate in those product categories inside the financial institution's assessment area(s) would adversely affect the financial institution's CRA evaluation.

The proposal also includes several enhancements concerning the public disclosure of CRA loan data by the agencies.

We encourage you to review the attached notice of proposed rulemaking in its entirety and to provide your comments. Information on how to submit comments is provided in the attached *Federal Register* notice.

Michael J. Zamorski
Director
Division of Supervision and Consumer Protection

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Attachment:

- [February 6, 2004, Federal Register, pages 5729-5747- PDF](#) 120.95k

Distribution: FDIC-Supervised Banks (Commercial and Savings)

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