



Community Reinvestment Act

FIL-35-95
May 17, 1995

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: *Revised Regulation Implementing the Community Reinvestment Act (Part 345); Revision to Regulation C*

The FDIC's Board of Directors has approved a final rule implementing the Community Reinvestment Act (CRA). The Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Office of Thrift Supervision have approved parallel regulations for the institutions they supervise. The joint final rule largely retains the principles and structure of the proposals issued in December 1993 and October 1994. The agencies modified some details in response to issues raised in comment letters and agency concerns.

The new CRA regulation replaces the 12 assessment factors contained in the old rule with a more performance-based evaluation process to assess whether financial institutions are meeting the credit needs of their communities, including low- and moderate-income neighborhoods. The new rule establishes different tests for large and small institutions, as well as for retail and wholesale or limited purpose banks. It also gives all banks and thrifts the option of being evaluated on the basis of a "strategic plan" designed by each institution and approved by its federal regulator. The new rule reduces regulatory burdens (particularly for small institutions), eliminates a number of existing documentation requirements and provides additional flexibility without compromising safety and soundness standards. More information on these reduced regulatory burdens is included in the attached Executive Summary.

Continuing the interagency effort that led to the development of the final rule, the regulators are working jointly on examination and other procedures to implement the new rule. Information about these procedures will be distributed to institutions when they are final. The new rule will be phased in over a two-year period, beginning July 1, 1995. Until the applicable test is phased in, institutions will continue to be examined under the old CRA regulations.

In a related development, the Federal Reserve Board also approved changes to Regulation C, which implements the Home Mortgage Disclosure Act. Regulation C was revised to conform to the new CRA regulation.

A copy of the Federal Register notice containing the new CRA regulations for all the agencies and the Federal Reserve Board's amendment to Regulation C is enclosed. Your attention is directed in particular to the preamble to the new CRA rules (pages 22156-22178), the FDIC's regulation (pages 22201-22212), and the revised Regulation C (pages 22223-22225). The attached Executive Summary from the FDIC outlines how and when different types of institutions will be affected.

Questions about the final rule should be directed to your Regional Office of the FDIC personnel listed on page 22156 of the attached notice.

Paul L. Sachtleben
Director

Attachment: [PDF Format](#) (480 kb, [PDF help](#) or [hard copy](#)), [HTML Format](#) (517 Kb)

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