

May 25, 2010

MEMORANDUM TO: The Board of Directors

FROM: Sandra L. Thompson  
Director  
Division of Supervision and  
Consumer Protection

Michael Bradfield  
General Counsel

SUBJECT: Joint Notice of Proposed Rulemaking: Amendment to the  
Community Reinvestment Act Regulation

### **RECOMMENDATION**

We recommend the Board approve and authorize for publication in the *Federal Register* the attached notice of proposed rulemaking revising the regulations implementing the Community Reinvestment Act (CRA). With your approval, the FDIC will issue this proposal jointly with the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision (collectively, the Agencies). The notice of proposed rulemaking proposes amending, on a temporary basis, the CRA regulation to permit consideration of activities that support eligible projects and activities in targeted areas identified in plans approved by the United States Department of Housing and Urban Development (HUD) under the statutorily-created Neighborhood Stabilization Program (NSP).

### **DISCUSSION**

The CRA requires the federal banking and thrift regulatory agencies to assess the record of each insured depository institution in meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution, and to take that record into account when the agency evaluates an application by the institution for a deposit facility.

In the Housing and Economic Recovery Act of 2008 (HERA), Congress recognized the need to provide emergency housing-related assistance to stabilize communities affected by high levels of foreclosure. As part of that statute, Congress created the NSP and directed HUD to make grants based on plans submitted to the agency that demonstrated the greatest need for redevelopment of abandoned and foreclosed properties. A second round of the program was created as part of the American Recovery and Reinvestment Act of 2009.

Eligible activities are set out in the HERA. These activities are consistent with current CRA regulations and guidance, including the purchase, redevelopment, and rehabilitation of foreclosed, vacant, abandoned, or demolished residential properties. All funds under the NSP must be used for individuals and families whose income does not exceed 120 percent of the area median income. In addition, no less than 25% of the funds will be used for individuals and families whose income does not exceed 50 percent of the area median income.

In order to create opportunities to leverage HUD funding in areas with high levels of foreclosure, the attached notice of proposed rulemaking would amend the CRA regulations to expressly permit consideration of loans, investments and services that support, enable, or facilitate projects and activities set out in the HERA in designated target areas identified by HUD in approved NSP plans. The CRA activities must benefit low-, moderate-, and middle-income individuals and geographies, either in the bank's assessment area(s) or outside those areas if the bank has adequately addressed the community development needs of its assessment area(s).

The notice of proposed rulemaking rule would be temporary, ending no later than two years after the last date funds appropriated for NSP are required to be spent by those entities that received the HUD grants.

#### ***Comment period***

The attached notice of proposed rulemaking has a comment period of 30 days.

#### **CONCLUSION**

Staff recommends that the Board adopt the attached notice of proposed rulemaking and authorize its publication in the *Federal Register*.

Staff members knowledgeable about this case:

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Attachment