



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-21-2005
March 22, 2005

COMMUNITY REINVESTMENT ACT

Joint Notice of Proposed Rulemaking

Summary: The federal bank regulatory agencies are seeking comment on the attached proposed rule regarding the Community Reinvestment Act (CRA). The rule would reduce regulatory burden for banks with assets between \$250 million and \$1 billion, while encouraging meaningful community development loans, investments and services by these banks in their communities. Comments must be received by May 10, 2005.

Distribution:

FDIC-Supervised Banks (Commercial and Savings)

Suggested Routing:

Chief Executive Officer
Compliance Officer
CRA Officer

Related Topics:

12 C.F.R. Part 345
Community Development
Credit

Attachment:

Joint Notice of Proposed Rulemaking

Contact:

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CRA and Fair Lending Section, at
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Note:

FDIC financial institution letters (FILs) may be accessed from the FDIC's Web site at www.fdic.gov/news/news/financial/2005/index.html.

To receive FILs electronically, please visit <http://www.fdic.gov/about/subscriptions/fil.html>.

Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 801 17th Street, NW, Room 100, Washington, DC 20434 (1-877-275-3342 or 202-416-6940).

Highlights:

For banks with assets between \$250 million and \$1 billion, the proposal would:

- Eliminate CRA loan data collection and reporting of small business, small farm and community development loans.
- Replace the separately rated lending, investment and service test requirements with two separately rated tests: (1) the existing streamlined small bank lending test; and (2) a new community development test permitting more flexible levels of community development loans, investments and services depending on the business strategy and capacity of the bank and the opportunities and needs of its community.

For banks of any size, the proposal would:

- Expand the term "community development" to include certain community development activities in "underserved" rural areas and designated disaster areas.
- Clarify the effect illegal credit activities may have on a bank's CRA performance.

COMMUNITY REINVESTMENT ACT
Joint Notice of Proposed Rulemaking

The Federal Deposit Insurance Corporation (FDIC), the Board of Governors of the Federal Reserve System, and the Office of the Comptroller of the Currency (the agencies) have issued the attached joint notice of proposed rulemaking regarding the Community Reinvestment Act (CRA) regulations. The new proposal would raise the small bank asset-size threshold from less than \$250 million in assets to less than \$1 billion in assets, without consideration of any holding company affiliation, and adjust this threshold annually based on the Consumer Price Index. The proposal is in response to public comments received by the FDIC on its August 2004 CRA proposal and by all the agencies on the interagency CRA proposal in February 2004.

The agencies are seeking comment on this proposed rule, which would reduce regulatory burden for banks between \$250 million and \$1 billion in assets, while encouraging meaningful community development loans, investments and services by these banks in their communities. Comments must be received by May 10, 2005.

For banks between \$250 million and \$1 billion in assets (intermediate small banks), the proposal would:

- Eliminate CRA loan data collection and reporting of small business, small farm and community development loans; and
- Replace the separately rated lending, investment and service test requirements with two separately rated tests: (1) the existing streamlined small bank lending test and (2) a new community development test that permits more flexible levels of community development loans, investments and services depending on the business strategy and capacity of the bank and the opportunities and needs of its community.

For banks of any size, the proposal would:

- Expand the term “community development” to include certain community development activities in “underserved” rural areas and designated disaster areas; and
- Clarify the effect illegal credit activities may have on a bank’s CRA performance.

Please send comments by May 10, 2005, by e-mail to Comments@FDIC.gov; by Internet to www.fdic.gov/regulations/laws/federal/propose.html; or by mail to Robert E. Feldman, Executive Secretary, Attention: Comments, FDIC, 550 17th Street, NW, Washington, DC 20429.

Michael J. Zamorski
Director
Division of Supervision and Consumer Protection