



Federal Deposit Insurance Corporation
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Financial Institution Letter
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COMMUNITY REINVESTMENT ACT New Interagency Questions and Answers

Summary: The FDIC, the Federal Reserve Board, and the Office of the Comptroller of the Currency (the agencies) have published the attached informal staff guidance on community reinvestment in the form of questions and answers (Q&As). The agencies proposed the guidance for comment on November 10, 2005. After considering the comments, the agencies have adopted all of the proposed Q&As as they were proposed or with revisions in response to the comments.

Distribution:

FDIC-Supervised Banks (Commercial and Savings)

Suggested Routing:

CRA Officers, Compliance Officers, and
Chief Executive Officers

Related Topics:

Community Reinvestment Act Joint Final Rules

Attachment:

New Interagency Questions and Answers
Regarding Community Reinvestment

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Note:

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Highlights:

Several significant revisions to the Community Reinvestment Act (CRA) regulations took effect on September 1, 2005. The agencies developed the attached Interagency Questions and Answers to address the revisions. Fourteen Q&As concern the new changes, and two represent revisions to existing Q&As.

The 14 new questions and answers:

- Address the revised definition of "community development," which includes activities that revitalize or stabilize a distressed or underserved nonmetropolitan middle-income geography or a designated disaster area.
- Address the community development test applicable to intermediate small banks and how these banks will be evaluated under it.
- Explain how examiners evaluate outstanding qualified investments made during the prior evaluation period.
- Clarify that any small bank (including an intermediate small bank) may request that activities of an affiliate in the bank's assessment area(s) be considered in its evaluation.
- Explain that the asset size thresholds for "small bank" and "intermediate small bank" will be adjusted annually based on changes to the Consumer Price Index.

The revisions to two existing Q&As provide additional clarification and examples of community development services and qualified investments.

COMMUNITY REINVESTMENT ACT
New Interagency Questions and Answers

Due to the significant revisions to the Community Reinvestment Act (CRA) regulations that took effect on September 1, 2005, the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board, and the Office of the Comptroller of the Currency (the agencies) prepared informal staff guidance in the form of proposed new questions and answers (Q&As) addressing those changes, along with revisions to two existing Q&As (see: 65 FR 36620, July 12, 2001). This proposed guidance was published in the *Federal Register* on November 10, 2005, for comment. After considering the comments, the agencies have adopted all of the proposed Q&As as they were proposed or with revisions in response to the comments.

Of the 14 new Q&As, eight discuss the revised definition of “community development,” which includes activities that revitalize or stabilize a distressed or underserved nonmetropolitan middle-income geography or a designated disaster area. The Q&As also address the treatment of individuals in designated disaster areas and individuals who are displaced by disasters. The guidance includes three Q&As that address the community development test applicable to intermediate small banks and how these banks will be evaluated under it. A new Q&A that applies to banks of all sizes explains how examiners evaluate qualified investments made during the prior evaluation period but that are still outstanding during the current evaluation period. The remaining new Q&As specify that:

- Any small bank (including an intermediate small bank) may request that activities of an affiliate in the small bank’s assessment area(s) be considered in its performance evaluation.
- The asset size thresholds for “small bank” and “intermediate small bank” will be adjusted annually based on changes to the Consumer Price Index.

In addition, the guidance includes revisions to two existing Q&As to provide additional clarification and examples of community development services and qualified investments. In particular, a new provision states that a community development service may include providing international remittances services that increase access to financial services by low- and moderate-income persons.

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