Carl V. Howard
Deputy General Counsel

Citigroup Inc.
425 Park Avenue, 2nd Floor
New York, NY 10022

T 212 559 2938
F 212 793 4403
howardc@citi.com

April 15, 2011

Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429
Attention: Ms. Ellen Lazar
Senior Advisor to the Chairman

Re: RIN 3064-AD60

Dear Ms. Lazar:

Citigroup Inc., a financial holding company ("Citi"), is pleased to have the opportunity to present to the Federal Deposit Insurance Corporation (the "FDIC") comments on the Community Reinvestment Act (CRA) regulations. We have decided to submit these additional comments even though the original submission deadline has passed because of the importance of the issues under consideration and the continuing discussions among regulators, community groups and financial institutions.

Citibank has historically been a leading provider of a broad spectrum of financial products and services that have and are benefitting low- and moderate-income (LMI) individuals and neighborhoods. However, as the financial services industry has evolved in response to changing customer needs and behaviors, economic cycles, and the regulatory environment, there is a need for CRA regulations and implementation to evolve as well. We believe that certain elements of the current exam structure, particularly regarding community development (CD), could be made more effective, have more impact, and better enhance the flow of capital to underserved communities throughout the country. As the FDIC, and the other regulatory agencies, consider changes that will make the CRA a more powerful tool for providing financial services to strengthen LMI communities throughout the United States, we are ready to work with you toward achieving that common goal. We hope that you will find the following comments and ideas constructive in your current CRA regulatory reform deliberations.

1. **In setting goals, it is essential that focus remain on the requirement that CRA activities must be performed in a safe and sound manner.**

CRA regulation dictates that CRA activities should be "consistent with the safe and sound operation of the institution." As capital requirements for financial institutions have increased, there are also increasing regulatory expectations to lend and invest ever larger amounts of dollars in support of community development.

Banks have experienced increases to levels of Tier 1 capital (Tier 1) in recent years because of a number of factors, including increased ratios and changes to accounting policies. With the implementation of Basel III, we anticipate that levels of Tier 1 will increase still more.

Because bank regulators evaluate CRA performance for CD lending and investing as, among other factors, a percentage of Tier 1, the increases to Tier 1 are driving CD lending and investing goals to significantly higher dollar volumes without regard to safety and soundness. In some markets, the aggregate target amounts for all banks in the market exceed the viable community development opportunities in the market. As a result, competition for a limited number of available community development loans and investments is driving irrational pricing and may lead to a deterioration of standards and terms, causing banks to take greater risk in an effort to meet CRA requirements.

Additionally, economic conditions, such as high unemployment and declines in income levels, act to further increase risk and are factors that should be acknowledged in setting CRA benchmarks and conducting performance evaluations.

We believe that a combination of financial factors should be used in evaluating a bank's CD lending and investment goals, and not just Tier 1.

2. **Community Development lending, investing, and services should be combined into a new Community Development test that would replace the existing investment test.**

The current Large Bank CRA Exam structure divides CD activity into lending, investing and service test brackets. CD lending activity is considered an additive component of the lending exam that primarily focuses on mortgage and small business lending. We believe that CD lending, investing and traditional CD services should be combined into a new, optional CD test that would replace the existing investment test. This would convert CD lending from an activity that merely "helps" the lending score, into a more transparent activity that truly benefits LMI communities. It would also serve to more fully reflect the significant value of these activities and a bank's responsiveness in meeting LMI community needs. CD activities are critical to promoting healthy communities and this change would help to optimize use of banks' capital to benefit LMI individuals and communities. Given the significant value of these activities and the shift in product categories to comprise a new CD Test, altering current 50%/25%/25% weighting of activity to 40% lending, 40% community development and 20% services would be warranted.

3. **A new "National Community Development Area" should be created and banks should be allowed to voluntarily lend or invest anywhere in the country to meet certain CRA goals if opting to be evaluated under the new CD test.**

From its 1977 inception, the CRA has mandated that banks adequately meet the credit needs of the communities from which they take deposits. This link between CRA activity and the retail bank "footprint" had a clear logic in 1977 before nationwide banking was envisioned. Over the past 34 years, the banking industry has changed dramatically. Now, deposits taken through a retail branch represent only a portion of the total deposit base for the largest of financial institutions and internet banks, a type of bank that was not even contemplated 30 years ago.

For the largest banks, institutional, corporate and online deposits materially contribute to total deposits. In recognition of this evolution, we believe that a new "National Community Development Area" should be created and banks should be allowed voluntarily to provide CD lending or investing anywhere in the country to meet certain CRA objectives. Lending and Retail Service activity would continue to be focused within a bank's retail deposit franchise.

This change would enhance the flow of capital from "capital oases" to "capital deserts." This greater flexibility would enable banks to be more responsive to LMI communities in parts of the country that are currently being underserved and where there is a great need for private capital.

We want to emphasize that the CD lending and investing activities that could be included in the National Community Development Area would be an "up to" number, with some banks choosing to do all or some of this activity in their existing retail bank footprint based on strategies, capacity and opportunity. An institution's overall CRA standards would be inclusive of this broader distribution of activity and not in addition to it.

4. **There is a need to re-emphasize qualitative factors and develop some level of consistency and expectations around the value of qualitative/high impact transactions.**

The CRA discusses qualitative factors for CD lending and investment, such as complexity, innovation and leadership. There is a lack of clear guidance, however, on how these qualitative factors are reviewed or evaluated. Banks expend significant time, resources, and expertise to develop transactions that are innovative or complex.

Therefore, we would find it beneficial to be able to understand the impact of our efforts on CRA performance and for such transactions to receive substantial valuation. Some suggestions of qualitative factors that should be included in performance assessments in a consistent and meaningful way are market size, number of affordable housing units created, and number of jobs created

5. **Require public reporting of CD lending and investments.**

We support data collection and reporting of CD lending and investing in a manner similar to HMDA reporting. Collection and publication of CD lending and investing data will benefit not only banks and their regulators, but it will also benefit the CD industry and ultimately LMI communities. While certain HMDA data fields are not applicable to CD lending and investing, there is data that would be of interest to the CD industry, would be helpful in sizing market activity and market share, and could be used as supplemental factors in evaluations.

6. **Counting prior period CD lending consistent with investments will recognize the value of and reward longer-term financing and patient capital that is so critical to sustainable community development activities.**

Under current practices, prior period investment balances can be counted toward current period goals. This strategy rightfully acknowledges the benefits of patient capital and the long-term commitment of resources necessary to accomplish sustainable community revitalization. We believe that long-term CD lending is just as critical to those outcomes. As the secondary market and securitization techniques so critical to a bank's liquidity have dried up, banks' ability to lend long-term capital has become a challenge while the need for this financing has only increased in importance. In recognition that providing long-term loans to CD projects is critical to CD success and recognizing the significant capital commitment of banks engaged in these activities, counting previous lending along with investments will stimulate much needed longer-term financing which will benefit LMI communities.

7. **Give full credit for any credit product requiring capital allocations and all services that require capital outlays benefitting LMI individuals and geographies, not just "targeting LMI" or "primarily benefitting."**

CRA goals have historically been met by providing products and services that target or primarily benefit LMI families and LMI communities. Certain products and services, however, have not been consistently counted or given full credit due to anomalies in the regulation and examiner guidelines and the consideration of evolving bank activities that were never contemplated in the 34-year-old legislation. We propose a straightforward solution that gives full credit for all financial products and services that benefit LMI individuals requiring capital allocations or capital outlays. In all cases, LMI residents and LMI communities would have to benefit from this activity.

8. **There is a need for more clarity and consistency in CRA guidelines and evaluations.**

There are a number of CD lending and investment products that may be considered during a CRA evaluation. However, there is a need for greater specificity in examiner guidelines on how these products, such as letters of credit, are evaluated so that there will be consistency from exam to exam. Providing greater clarity and specificity on what loans, investments and services will be given full CRA credit in a consistent manner will support banks decision-making on dedicating resources to these activities and ultimately benefit LMI communities.

9. **Conclusion.**

On behalf of Citi, I thank you for the opportunity to comment on proposed revisions to CRA regulations. We appreciate the time and effort that is being spent on modernizing the existing regulations.

If you have questions on any aspects of this letter, please call Rhona Landau at (212) 559-1864 or me at (212) 559-2938.

Sincerely,

Carl V Howard

Carl V. Howard
Deputy General Counsel