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July 26, 2010

Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
Attention: RIN number 3064-AD60

Jennifer J. Johnson, Secretary
Board of Governors of the
Federal Reserve System 20th Street &
Constitution Avenue, NW
Washington, DC 20551
Attention: Docket No. R -1387

Office of the Comptroller of the Currency
250 E Street, SW, Mail Stop 2-3
Washington, DC 20219
Attention: Docket ID OCC-2010-10

Regulation Comments,
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
Attention: OTS-2010-0017

Re: Community Reinvestment Act Regulations Notice of Proposed Rulemaking

Dear Sir or Madam:

The Independent Community Bankers of America (ICBA)¹ welcomes the opportunity to comment on the proposed rule to expand the definition of the term “community development” under Community Reinvestment Act Regulations to include certain activities undertaken by depository institutions as part of the Neighborhood Stabilization Program (NSP) as authorized by Section 2301(c)(3) of the Housing and Economic Recovery Act of 2008 (HERA).

Summary of the proposed rule

The Neighborhood Stabilization Program (NSP) was established to stabilize communities affected by high levels of foreclosures and address their consequences, such as the

¹ *The Independent Community Bankers of America represents nearly 5,000 community banks of all sizes and charter types throughout the United States and is dedicated exclusively to representing the interests of the community banking industry and the communities and customers we serve. ICBA aggregates the power of its members to provide a voice for community banking interests in Washington, resources to enhance community bank education and marketability, and profitability options to help community banks compete in an ever-changing marketplace.*

With nearly 5,000 members, representing more than 20,000 locations nationwide and employing over 300,000 Americans, ICBA members hold \$1 trillion in assets, \$800 billion in deposits, and \$700 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at www.icba.org.

growing number of vacant foreclosed properties, abandoned homes, depreciating home values and destabilization of communities and adjacent and surrounding neighborhoods. Emergency funds were distributed to States and localities as well as to non-profit organizations and entities. To receive NSP funding, each grantee was required to submit an action plan or application to HUD and use the NSP funds for one of the five activities established under the Housing and Economic Recovery Act of 2008 (NSP-eligible activities):

1. Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties.
2. Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such properties.
3. Establish and operate land banks for homes and residential properties that have been foreclosed upon.
4. Demolish blighted structures.
5. Redevelop demolished or vacant properties.

All NSP funds must be used with respect to individuals and families whose income does not exceed 120 percent of the area median income and not less than 25% of the funds must be used for the purchase and redevelopment of abandoned or foreclosed homes and residential properties that will be used to house individuals and families whose incomes do not exceed 50% of area median income.

The OCC, the Federal Reserve Board, the FDIC and the OTS (agencies) propose to expand the CRA definition of “community development” to include these NSP-eligible activities for the duration of the NSP.

ICBA Position

While ICBA supports the expanded definition of the term “community development” in general, there are areas for concern within the proposed rule. Community banks in rural areas and other areas not designated as “areas of greatest need” should be able to obtain favorable CRA consideration for supporting NSP-eligible activities when they identify and meet similar needs within their own communities. In addition, community banks should receive favorable CRA consideration for efforts to support NSP-eligible activities outside their CRA assessment area, provided they take place within a NSP-targeted area designated by HUD. ICBA favors permanently expanding the definition of “community development” to include NSP-eligible activities covered by this rule.

Community banks must be able to support their communities based on market needs, local opportunities and the bank’s strategic strengths. Community banks generally serve only their local communities with deposit, lending and other banking services and should be given CRA credit for activities that benefit the entire community.

Community Reinvestment Act rules must provide the intended flexibility to allow community banks to meet the needs of their communities. In general, ICBA supports any efforts to broaden the types of activities for which community banks may receive

favorable CRA consideration. The proposed rule does this by broadening the definition of community development in order to include loans, investments and services that support, enable, or facilitate NSP-eligible activities in designated target areas identified in plans approved by HUD under the NSP.

Sunset Provisions

As written, the proposed rule ties the eligibility of NSP-eligible activities to the duration of the NSP program. Since the NSP program was not given a sunset date by Congress, at minimum the proposed rule should remain in place for the duration of the program. Given the possibility that Congress could appropriate more funds for the program if seen as necessary, there is no need for a hard sunset date as long as community banks have sufficient notice when a date certain has been identified.

However, given the integration of community banks with the communities in which they operate, they are best placed to identify and support NSP-eligible activities when required in their own communities. CRA consideration for NSP-eligible activities should be expanded permanently to allow community banks maximum flexibility to meet the needs of their community. These activities would only be undertaken under specific market conditions that may vary by locality and arise at different times.

CRA consideration of NSP-eligible activities reflected in HUD-approved NSP plans and activities undertaken by financial institutions that support activities that have been funded by the NSP

Community banks, as integral parts of the communities in which they operate, rely on vibrant communities to thrive. Community banks are locally owned and operated institutions that are integral parts of their communities and engage in community reinvestment and community development on a daily basis. Therefore, community banks should receive favorable CRA consideration for any activities they undertake that benefit their entire community.

CRA consideration should not be limited solely to NSP-eligible activities reflected in HUD-approved NSP plans. When any of the activities eligible to be funded by the NSP are supported, a community bank should receive favorable CRA consideration. Not all community banks will serve NSP-targeted areas designated by HUD as “areas of greatest need” but the need for these types of activities may still exist within their assessment areas. Community banks outside of NSP-targeted areas should still be eligible to receive CRA credit for supporting NSP-eligible activities within their own communities.

NSP-eligible activities outside of an institution’s assessment area(s)

The proposed rule recognizes that restricting CRA consideration to an institution’s assessment area may not promote Congress’s objectives for the NSP. Community banks should receive favorable CRA consideration for NSP-eligible activities in support of HUD-approved plans in NSP-targeted areas, regardless of whether they are in the institution’s assessment area.

Community banks should be recognized for efforts to support community development in areas of greater need, provided they are meeting the needs within their own assessment areas. During this time of economic downturn, there is a wider need to rehabilitate all affected areas of the nation, not only the areas in which banks serve. The flexibility in the focus on assessment areas also provides an opportunity for community banks that are not in a HUD designated area to receive favorable CRA consideration in support of those “areas of greatest need” most affected by the foreclosure crisis.

As in the effort to stabilize and revitalize areas affected by Hurricanes Katrina and Rita, the Agencies should be flexible in order to spur these efforts in the most affected areas identified by HUD. Furthermore, community bank participation in NSP-eligible activities outside the CRA assessment area should not be viewed as “out of area” for CRA examination purposes.

Potential costs and benefits of the proposed rule

Community banks anticipate additional administrative costs for loan documentation and reporting as well as time spent training staff if this rule is adopted.

Unfortunately not all community banks expect to realize additional benefits from the proposed rule, due to limited local opportunities and lack of synergy with the bank’s strategic strengths. For those community banks that do expect to benefit from the proposed rule, it is important to provide maximum flexibility to receive favorable CRA consideration for any NSP-eligible activities which benefit their own communities and for activities in designated target areas in support of plans approved by HUD. This will allow the maximum number of community banks to provide the biggest benefit to their own communities and to NSP-targeted communities nationwide.

Conclusion

Community banks support the Agencies effort to expand the definition of “community development” to include the NSP-approved activities banks undertake to benefit the communities in which they operate, or in the areas most affected by the foreclosure crisis. Community Reinvestment Act rules must provide the intended flexibility to allow community bank to meet the needs of their communities. ICBA believes that community banks should be given CRA credit for activities that benefit the entire community. ICBA welcome this incremental move towards that goal. If you have any questions, or need additional information, please contact me at Lilly.Thomas@icba.org or by telephone at 202-659-8111.

Sincerely,

Lilly Thomas
Vice President and Regulatory Counsel