

## Summary of Discussion on CRA Proposal

On February 2, 2005, Donna Gambrell, Jodey Arrington and Alice Goodman met with the Democratic staff of the Committee on Financial Services to discuss the pending CRA proposed regulations. Rep. Frank's staff included Minority Staff Director Jeanne Roslanowick, Counsels Ken Swab and Erica Jeffers, and Dean Sagar, Senior Policy Analyst.

Questions from Rep. Frank's staff included: what is the timetable for finishing the CRA regulatory process; is this an interagency process and, if so, which agencies are involved?

Donna Gambrell explained that what is likely to happen is the FDIC, the FRB and the OCC (unclear at this point whether OTS will join us) will publish for comment a revised proposal. Frank's staff asked how long the comment period would be and Jodey mentioned 45 or 60 days. Frank's staff encouraged at least 60 days. While Donna said the FDIC, OCC and FRB are close to agreement, it may be at least a few weeks before the agencies issue the revised proposal.

There was a general discussion of the investment test, which Frank's staff characterized as "elimination of the investment and services requirement." They asked if there are alternatives that the regulators are looking at and wanted to know if a bank could not make any investments but still be rated satisfactory. Donna responded that the proposals never called for the elimination of the investment test – and that the proposal called for more flexibility. Frank's staff responded that the Congressman appreciated the need for flexibility, but is concerned about the ability of institutions to be non-responsive in the investment test. He is concerned that if there are unmet needs in the community, the banks will be permitted to do something else instead of meeting the community investment needs. Donna said it is her understanding that there will continue to be a mandatory community development requirement.

The discussion then turned to the size threshold. Jodey said that it will probably be the consensus of the regulators to have the \$1 billion threshold, with those institutions under \$250 million still being able to use the existing streamlined small bank test and institutions between \$250 and \$1 billion falling under the new requirements, if adopted.

There was some discussion about the rural component in the FDIC's latest proposal. Donna explained that the unintended consequence of the FDIC's proposal will be fixed in the next proposal and that it will be clear that the regulators are looking at low and moderate income rural areas as opposed to "second homes in Middleburg."

It was suggested that the new interagency proposal recognize remittances. Donna Gambrell mentioned that remittances would probably be covered in the Q and As that accompany the regulation, but said she would look into the possibility of including language in the regulation itself.

Finally, Alice Goodman agreed to set up an interagency briefing for the Hills staff on the new proposal once it is published for comment.