## **DEPARTMENT OF THE TREASURY**

# Office of the Comptroller of the Currency

12 CFR Part 25

[Docket No. 95-07]

RIN 1557-AB32

# FEDERAL RESERVE SYSTEM

12 CFR Part 228

[Regulation BB; Docket No. R-0822]

## FEDERAL DEPOSIT INSURANCE **CORPORATION**

12 CFR Part 345

RIN 3064-AB27

#### DEPARTMENT OF THE TREASURY

Office of Thrift Supervision

12 CFR Part 563e

[Docket No. 95-72]

RIN 1550-AA69

## FEDERAL RESERVE SYSTEM

#### 12 CFR Part 203

## **Community Reinvestment Act** Regulations

**AGENCIES:** Office of the Comptroller of the Currency, Treasury (OCC); Board of Governors of the Federal Reserve System (Board); Federal Deposit Insurance Corporation (FDIC); Office of Thrift Supervision, Treasury (OTS). **ACTION:** Joint final rule.

SUMMARY: The OCC, Board, FDIC, and OTS, (collectively, the Federal financial supervisory agencies or agencies) are amending their regulations concerning the Community Reinvestment Act (CRA). The agencies published a joint notice of proposed rulemaking on this issue on December 21, 1993 (1993 proposal) and again on October 7, 1994 (1994 proposal). This final rule reflects comments received on both proposals and the agencies' further internal considerations.

The purpose of the CRA regulations is to establish the framework and criteria by which the agencies assess an institution's record of helping to meet the credit needs of its community, including low- and moderate-income neighborhoods, consistent with safe and sound operations, and to provide that the agencies' assessment shall be taken into account in reviewing certain applications.

The final rule seeks to emphasize performance rather than process, to promote consistency in evaluations, and to eliminate unnecessary burden. As compared to the 1993 and 1994 proposals, the final rule reduces recordkeeping and reporting requirements and makes other modifications and clarifications. **EFFECTIVE DATES:** This joint rule is effective July 1, 1995, except 12 CFR 25.3 through 25.7 and 25.51, 12 CFR 228.3 through 228.7 and 228.51, 12 CFR 345.3 through 345.7 and 345.51, and 12 CFR 563e.3 through 563e.7 and 563e.51 are removed effective July 1, 1997.

## FOR FURTHER INFORMATION CONTACT:

OCC: Stephen M. Cross, Deputy Comptroller for Compliance, (202) 874-5216; or Matthew Roberts, Director, Community and Consumer Law Division, (202) 874–5750, Office of the Comptroller of the Currency, 250 E Street, SW., Washington, DC 20219.

Board: Glenn E. Loney, Associate Director, Division of Consumer and Community Affairs, (202) 452-3585; Robert deV. Frierson, Assistant General Counsel, Legal Division, (202) 452-3711; or Leonard N. Chanin, Managing Counsel, Division of Consumer and Community Affairs, (202) 452-3667, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW., Washington,

FDIC: Bobbie Jean Norris, Chief, Fair Lending Section, Division of Compliance and Consumer Affairs, (202) 942-3090; Robert W. Mooney, Fair Lending Specialist, Division of Compliance and Consumer Affairs, (202) 942-3092; or Ann Hume Loikow, Counsel, Regulation and Legislation Section, Legal Division, (202) 898–3796, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429.

OTS: Timothy R. Burniston, Assistant Director for Compliance Policy, (202) 906-5629; Theresa A. Stark, Program Analyst, Compliance Policy, (202) 906-7054; or Lewis A. Segall, Senior Attorney, Regulations and Legislation Division, Chief Counsel's Office, (202) 906–6648, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

# SUPPLEMENTARY INFORMATION:

#### Introduction

The Federal financial supervisory agencies jointly are amending their regulations implementing the CRA (12 U.S.C. 2901 et seq.). The amended regulations will, when fully effective, replace the existing regulations in their entirety.

The CRA is designed to encourage regulated financial institutions to help meet the credit needs of their entire communities, including low- and moderate-income neighborhoods, consistent with safe and sound operations. Despite the CRA's notable successes in improving access to credit, banks and savings and loan institutions, as well as community and consumer groups, maintain that its full potential has not been realized, in large part because regulatory compliance efforts have focused on process rather than performance.

In accordance with a request from the President, the Federal financial supervisory agencies have undertaken a comprehensive effort to reform their standards for evaluating compliance with CRA requirements. The final rule implements this reform effort by substituting a new system that evaluates institutions based on their actual performance in helping to meet their communities' credit needs.

## **Background**

In 1977, the Congress enacted the CRA to encourage banks and thrifts to help meet the credit needs of their entire communities, including low- and moderate-income neighborhoods, consistent with safe and sound lending practices. In the CRA, the Congress found that:

"(1) regulated financial institutions are required by law to demonstrate that their deposit facilities serve the convenience and needs of the communities in which they are chartered to do business;

(2) the convenience and needs of communities include the need for credit as well as deposit services: and

(3) regulated financial institutions have continuing and affirmative obligation[s] to help meet the credit needs of the local communities in which they are chartered."

(12 U.S.C. 2901(a))

The CRA has come to play an increasingly important role in improving access to credit in communities-both rural and urbanacross the country. Under the impetus of the CRA, many banks and thrifts opened new branches, provided expanded services, and made substantial commitments to increase lending to all segments of society.

Despite these successes, the CRA examination system has been criticized. Financial institutions have indicated that policy guidance from the agencies on the CRA is unclear and that examination standards are applied inconsistently. Financial institutions