Component test ratings	Lending	Service	Invest- ment
Outstanding	12	6	6
High Satisfactory	9	4	4
Low Satisfactory	6	3	3
Needs to Improve	3	1	1
Substantial Noncompliance	0	0	0

The number of points needed to achieve each of the four composite assigned ratings has been modified slightly, as shown in the following table, to remove the anomalies discussed earlier.

Points	Composite assigned rating
20 or over	Outstanding.
11 through 19	Satisfactory.
5 through 10	Needs to Improve.
0 through 4	Substantial Noncompliance.

To ensure that an institution does not receive an assigned rating of "satisfactory" unless it receives a rating of at least "low satisfactory" on the lending test, an institution's assigned rating will be calculated using three times the lending test score if the institution's point total exceeds three times the lending test score.

The agencies have removed the matrix from Appendix A. This change will allow the agencies some flexibility in adjusting the matrix to prevent any other unintended anomalies that may be found during the examination process. If the agencies change the matrix in the future, the new matrix will be published for information, but not necessarily for comment, in the **Federal Register**.

Automatic downgrade of third "needs to improve" rating. The agencies have also removed the requirement that an institution's CRA rating be downgraded automatically from "needs to improve" to "substantial noncompliance" if it received no better than a "needs to improve" rating on each of its two previous examinations. Even though the automatic downgrading has been eliminated in the final rule, the agencies will consider an institution's past performance in its overall evaluation. If the poor performance continues, an institution could be rated "substantial noncompliance" if prior ratings were "needs to improve" and the institution has not made efforts to improve its performance.

Weight of service test. Some consumer groups urged that an institution be required to get at least a "low satisfactory" on the service test in order to get an assigned rating of "satisfactory" or better. The agencies considered this suggestion, but decided that because the CRA's focus is on helping to meet a community's credit needs, it would be inappropriate to impose this requirement. However, the changes to the ratings principles and matrix increase the weight of both the service and investment tests.

High satisfactory and low satisfactory ratings. Some commenters found confusing the use of a "high" and "low" satisfactory rating on the lending, service and investment tests and only a "satisfactory" on the assigned rating. Because a wide range of performance may be rated as satisfactory, the agencies decided to keep the five ratings on the underlying tests, even though the assigned ratings are limited to the four statutory ratings. This will permit the agencies, banks and thrifts, and their customers to recognize the stronger performances on the lending, investment, and service tests of those institutions that are doing a very good, but not quite outstanding, job of helping to meet the credit needs of their communities.

Effect of CRA Performance on Applications

The CRA requires the agencies to consider an institution's CRA performance record when considering an application by the institution to establish a deposit facility. The statute defines applications for a deposit facility as including applications for a Federal financial institution charter or FDIC deposit insurance, applications to establish or relocate a branch or home office, and applications for mergers, consolidations, or the purchase of assets or assumption of liabilities of a regulated financial institution. The 1994 proposal provided that in considering an institution's application for a deposit facility, the agencies would consider the institution's CRA performance and take into account any views expressed by interested parties submitted in accordance with the applicable agency's rules and procedures. The proposal also stated that an institution's record of CRA performance could provide a basis for approving, denying, or conditioning approval of an application.

A number of comments from financial institutions asked the agencies to create a "safe harbor" from CRA protests for banks with good CRA ratings that apply to establish a deposit facility. Some commenters suggested that a "safe harbor" would provide an incentive to achieve an outstanding rating. Community and consumer groups, on the other hand, opposed any sort of safe harbor from CRA protests.

The agencies have consistently recognized that materials relating to CRA performance received during the applications process can and do provide relevant and valuable information. The agencies also continue to believe, as provided in the Interagency Policy Statement Regarding the Community Reinvestment Act, that information from an examination is a particularly important consideration in the applications process because it represents the on-site evaluation of an institution's CRA performance by its primary Federal regulator. The final rule implements without change the balance given in the 1994 proposal between CRA performance ratings and material information presented through public comment in the applications process.

The agencies noted in the preamble to the 1993 proposal that the frequency with which the agencies will examine an institution will depend in part on its record of performance. A similar discussion was inadvertently omitted from the 1994 proposal. Examination frequency will be based, in part, on an institution's record of performance. This policy combines an efficient use of agency resources with an incentive for good performance.

Assessment Area Delineation

As a result of numerous comments received on this issue, the final rule makes several changes to the definition of service area in the 1994 proposal.

Assessment area. The CRA requires the agencies to assess an institution's record of helping to meet the credit needs of its local community. The assessment area as defined in the final rule represents the community within which the agencies assess an institution's record of CRA performance.

As noted earlier in the preamble, in the final rule, the term "assessment area" replaces the term "service area," which was used in the 1993 and 1994 proposals. The agencies believe the term "assessment area" more accurately