



OFFICE OF ADVOCACY *FACTSHEET*

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Advocacy Welcomes Reduction of CRA Regulatory Burdens; Urges Analysis of Small Entity Impacts

On April 6, 2004, the U.S. Small Business Administration's Office of Advocacy (Advocacy) filed comments with the Office of the Comptroller of the Currency, the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision (collectively, the agencies) on a proposed rule to revise the Community Reinvestment Act (CRA) regulations. Advocacy's comments can be found at www.sba.gov/advo/laws/comments.

- Under the CRA, regulated financial institutions must demonstrate that they serve the credit needs, consistent with safe and sound lending practices, of the communities in which the insured bank or thrift is chartered to do business, including low- and moderate-income communities. CRA also helps improve access to credit among underserved rural and urban communities.
- On February 6, 2004, the agencies jointly published a proposed rule to amend the CRA regulations. The proposal is intended to reduce unwarranted regulatory burdens and to better address abusive lending practices. The proposed rule would change the definition of "small institution" by increasing the asset threshold from less than \$250 million to less than \$500 million, without regard to the amount of assets held by an affiliated holding company. This change would increase the number of banks and thrifts whose CRA performance is evaluated under the streamlined performance standards for small institutions.
- In its comments, Advocacy commended the agencies for issuing a proposed rule that reduced regulatory burdens on small banks and thrifts. Advocacy also urged the agencies to improve their compliance with the Regulatory Flexibility Act by providing a fact-based analysis to support their certification that the proposed rule would not have a significant impact on a substantial number of small entities.
- Since small institutions had also stated that it is too difficult to obtain an "outstanding" rating, Advocacy also encouraged the agencies to consider appropriate changes to the examination procedure so that the CRA examination process is not so daunting.

For more information, visit Advocacy's webpage at www.sba.gov/advo or contact Jennifer Smith at 202-205-6943.