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Statement by Eugene A. Ludwig  
Comptroller of the Currency  
Final Regulation on Community Reinvestment Act

Today I signed the final rule implementing the Community Reinvestment Act -- the last step on a long journey we began in July, 1993, when President Clinton asked the regulators to rewrite the CRA regulation. He made that request -- and we undertook this difficult assignment -- because it was clear to all of us that the old CRA regulation had not lived up to its potential. Bankers and community groups alike complained about a regulatory regime that put too much emphasis on paperwork, not enough emphasis on performance.

The Community Reinvestment Act is in many respects a model statute. It requires no public subsidy, no private subsidy, and no massive Washington bureaucracy. It entails tremendous local control. In towns and cities all across America, I have seen this statute at work, bringing banks and communities together to make economic development happen.

This new rule will make CRA more effective and less burdensome. The rule is a big step forward for banks, bank customers, small businesses, and communities across America. It returns the regulation to the original intent of the law. Under the new rule, we will make CRA assessments under three tests -- lending, investments, and services -- instead of the 12 criteria under the old regulation. The new rule also recognizes that financial institutions are not alike: "one size fits all" will no longer describe our approach to CRA compliance. And it recognizes the importance of small business lending in CRA performance. The new rule is longer, but it is clearer. Banks and community groups alike will understand better how the regulators will assess CRA performance.

The final rule strikes a fair balance between the banking industry's needs for reduced regulatory burdens and the needs of communities for better information about CRA performance. During the public hearings and the public comment periods, we heard from thousands of banks, community groups, small businesses, government officials, and private citizens. There was no way to satisfy everybody, and the final regulation won't be a panacea for anybody. But responsible parties on both sides of this issue will recognize the final rule as fair and reasonable.

The regulators have all worked hard to reach this goal. I particularly want to acknowledge the efforts and dedication of Governor Lindsey and the staff of the Federal Reserve to this reform effort. All of us agreed that it was important to get to a final rule quickly, but that it was more important to get the final rule right. I believe we have done that.

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