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OCC ADOPTS FINAL CRA REGULATION

The Office of the Comptroller of the Currency (OCC) today adopted a final regulation implementing the Community Reinvestment Act (CRA). The key provisions of this regulation are highlighted below.

Key Components of the Final Rule

The final CRA regulation provides clearer and more objective evaluation standards, eliminates unnecessary documentation requirements, and will improve the consistency of CRA examinations and performance evaluations.

The final CRA regulation emphasizes performance over process and documentation.

The final CRA regulation replaces the 12 old CRA assessment factors for large retail banks and thrifts with three tests: a lending test, a service test, and an investment test. Banks and thrifts will be evaluated based on the products and services offered in their normal course of business.

Regulatory Burden Reduction

The new CRA regulation reduces compliance burden:

Banks will no longer have to maintain extensive documentation demonstrating that directors have participated in formulating CRA policies and in reviewing bank CRA policies.

Banks will no longer have to prepare a formal CRA statement.

A bank will not have to document its efforts to market its services in low- and moderate-income communities.

A bank will no longer have to justify the basis for its community delineation.

A bank will no longer have to explain the method used to ascertain community credit needs.

A bank's board of directors will not have to review the CRA statement annually and note the review in the board's minutes.

Evaluation Based on Actual Performance

Under the new CRA rule, banks and thrifts will be evaluated based on actual performance -- loans made, services provided and investments in their communities.

The final CRA rule emphasizes direct lending. Loans originated by third parties or through consortia will count only if they meet the definition of community development loans and will be considered only under the community development component of the lending test.

Appropriate Flexibility

The new CRA regulation distinguishes between large and small institutions by providing a streamlined examination process for independent banks and thrifts with assets under \$250 million, or banks and thrifts with assets under \$250 million that are members of a holding company with total assets of under \$1 billion.

Wholesale and limited-purpose banks will be evaluated based on their investment in or other support of organizations that promote credit availability to low- and moderate-income individuals or geographic areas, and organizations and initiatives that foster community development, small and minority-owned business development, and funding for affordable housing.

All banks and thrifts have the option of developing a CRA strategic plan, with input from their communities. Once the plan is approved by regulators, achievement of the goals and benchmarks outlined in the strategic plan will form the basis for evaluation of CRA performance.

Data Collection and Reporting

Small banks will not be subject to any additional data collection and reporting requirements unless they opt out of the streamlined assessment procedures.

Larger banks and thrifts will collect and report to regulators aggregate data on their small business and small farm loans by census tract. They will not collect or report data on race and gender of small business borrowers.

Home Mortgage Disclosure Act (HMDA) data collection will be expanded for large institutions to include collection and reporting of mortgage loans outside the metropolitan statistical areas (MSAs) where the institutions have branch offices.

Regulators will prepare small business and small farm loan data disclosure statements annually for each individual reporting institution, and aggregate disclosure statements for each MSA and non-MSA portion of each state. The agencies will be responsible for making aggregate disclosure statements available to the public at central depositories; institutions must place their individual disclosure statements in their CRA public files.

Public Involvement

Under the final CRA rule, there are no "safe harbors" from CRA protests.

Banks and thrifts will continue to make their CRA ratings public, and the public will have an opportunity to comment on CRA performance before the start of a scheduled examination.

Implementation of the Final Rule

Immediately:

The Federal Reserve, FDIC, OCC and OTS will work together to develop and adopt uniform examination procedures.

Joint examiner training programs will be developed and implemented.

July 1, 1995:

The rule becomes effective

January 1, 1996:

Evaluations under the streamlined small bank procedures will begin.

Institutions may begin submitting strategic plans for approval.

Data collection requirements are effective. Data collected for calendar year 1996 must be reported by March 1, 1997.

Institutions may elect to be evaluated under the lending, investment, service and community development tests.

July 1, 1997:

Evaluation under the lending, investment, service and community development tests becomes mandatory.

The Reform Process

The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency and the Office of Thrift Supervision began the Community Reinvestment Act (CRA) reform process in July 1993, at the request of President Clinton. The agencies held seven public hearings around the country, hearing comments from over 250 bankers, community groups and local officials.

The bank and thrifts regulatory agencies published two proposed rules for comment -- one in December 1993 and a second in October 1994. The first proposal generated more than 6,700 written comments; the second generated over 7,200. The agencies reviewed and considered all of these comments in

writing a final rule.

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