

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 78-98  
July 19, 1978

COMMUNITY REINVESTMENT ACT--PROPOSED REGULATIONS

TO ALL STATE MEMBER BANKS,  
BANK HOLDING COMPANIES,  
AND OTHERS CONCERNED IN THE  
ELEVENTH FEDERAL RESERVE DISTRICT:

Printed on the following pages is the proposed regulation implementing the Community Reinvestment Act as drafted by the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board.

This regulation would implement the Community Reinvestment Act of 1977 which directs the above agencies to encourage the institutions they regulate to fulfill their continuing obligation to help meet the credit needs of their communities.

The regulation was drafted following a series of hearings and the receipt of substantial amounts of oral and written testimony. The proposed regulation is designed to encourage institutions to become aware of the full range of credit needs of their communities and to seek the views of all segments of their communities regarding those needs. The proposed regulation, however, would not require institutions to offer particular kinds or amounts of credit.

Comments on the proposed regulation should be directed to Theodore E. Allison, Secretary of the Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, D.C. 20551. All materials should be sent in quadruplicate and should refer to Docket No. R-0139. The deadline for receipt of comments is August 15, 1978.

Questions on the proposed Community Reinvestment Act regulation should be directed either to Robert Lawrence, Board of Governors of the Federal Reserve System, (202) 452-3766, or to the Consumer Affairs Section of our Bank Supervision and Regulation Department at Ext. 6171 or 6181.

Sincerely yours,

Robert H. Boykin

First Vice President

---

Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank: 1-800-492-4403 (intrastate) and 1-800-527-4970 (interstate). For calls placed locally, please use 651 plus the extension referred to above.

Extract From  
Federal Register,  
VOL. 43, NO. 133,  
Tuesday, July 11, 1978  
pp. 29918 - 29922

[6720-01]

## FEDERAL RESERVE SYSTEM

[12 CFR Part 228]

### Community Reinvestment Act Regulations

JUNE 30, 1978.

**AGENCIES:** Board of Governors of the Federal Reserve System, Comptroller of the Currency, Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board.

**ACTION:** Proposed regulations.

**SUMMARY:** These regulations would implement the Community Reinvestment Act of 1977, which directs the named agencies to encourage the institutions they regulate to fulfill their continuing and affirmative obligation to help meet the credit needs of their communities, including low- and moderate-income neighborhoods, consistent with safe and sound operation of such institutions, and to assess their record in doing so and take such assessments into account when evaluating certain applications by such institutions.

**DATES:** Comments must be received by August 15, 1978.

**ADDRESS:** Please send four sets of comments to Theodore Allison, Secretary to the Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue NW., Washington, D.C. 20551. All material submitted should refer to F.R.B. Docket No. R 0139.

#### FOR FURTHER INFORMATION CONTACT:

Robert Lawrence, Board of Governors of the Federal Reserve System: 202-452-3766; Alan Herlands, Comptroller of the Currency: 202-447-1177; Roger Hood, Federal Deposit Insurance Corporation: 202-389-4628; Nancy Feldman, Federal Home Loan Bank Board: 202-377-6443.

**SUPPLEMENTARY INFORMATION:** The Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board (collectively referred to as "the Agencies") propose this regulation to implement the Community Reinvestment Act of 1977 ("the CRA"). The CRA, which was en-

acted as title VIII of the Housing and Community Development Act of 1977 (Pub. L. 95-128), requires that in connection with their examination of institutions in their jurisdiction, the Agencies assess each institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. The CRA further requires that the appropriate Agency take that record into account in its evaluation of any application by the institution for a charter, deposit insurance, branch or other deposit facility, office relocation, merger, or acquisition of bank or savings institution shares or assets.

The agencies announced, in notices published in the FEDERAL REGISTER on January 25, February 21, and March 29, 1978 (43 FR 3370, 7243, and 13074), a series of hearings to be held around the country. The January 25, 1978, notice contained questions regarding issues raised by the CRA, and all the notices requested testimony and written comments to aid the Agencies in drafting regulations. Substantial amounts of oral testimony and written submissions were accepted and reviewed and much of that material is reflected in the following proposals.

It is the purpose of the CRA to require the Agencies to encourage institutions to help meet the credit needs of their local communities consistent with safe and sound operations. The Agencies believe that it is more likely that community credit needs which can be met on a safe and sound basis will be met when members of the community are aware of the availability of credit, the lending institutions are well informed about community credit needs, and such institutions make a sincere effort to meet those needs.

Accordingly, the proposed regulations are designed to encourage institutions to become aware of the full range of credit needs of their communities and to seek the views of all segments of their communities regarding those needs. Institutions are encouraged to offer the types of credit and credit-related services that will meet the credit needs of their communities. The regulations, however, would not require institutions to offer particular kinds or amounts of credit. It is the purpose of the proposed regulations to encourage each institution to help meet the credit needs of its entire community while preserving to every institution the flexibility necessary to operate in a safe and sound manner, and to serve the convenience and needs of its community effectively and imaginatively.

The Agencies' proposed regulations, which are presented together for convenience, are identical in their substantive provisions, but contain proce-

dural variations. An explanation of the provisions of the regulations, how they operate, and why they were chosen, is set forth below.

**Authority.** Each Agency's regulation sets forth that Agency's authority to adopt its regulations.

**Purpose.** The statement of purpose is adopted from the CRA. A discussion of this purpose is set forth above.

**Community.** The Agencies believe that there are many factors which determine a lender's community, including the institution's size, geographic factors, economic forces, and local tradition. No single definition or rigidly applied rule, therefore, would be appropriate to all communities and institutions. Accordingly, the proposed regulation would direct each institution to delineate its entire community with the aid of broad guidelines. The delineation would be available to members of the public who could offer their comments and suggestions to the institution and to the institution's supervisory agency. Agency examiners would review each institution's delineation and any community comments to insure that no areas, including low- and moderate-income neighborhoods, are unreasonably excluded from the delineation, and that the delineation is not so broad that the institution fails to focus on its local community.

The term "office", as used in the regulation, includes electronic deposit facilities unless it is otherwise modified.

#### COMMUNITY REINVESTMENT ACT STATEMENT

The board of directors of each institution would be required to adopt a Community Reinvestment Act ("CRA") statement. The CRA statement would include the institution's delineation of its community and a list of the types of credit that the institution would offer to members of its communities. The statement would be required to be made available to the public. Where an institution has offices serving more than one local community, it would delineate those communities and could adapt its statement to the needs of each community.

The purposes of requiring a statement would be to insure that each institution's board of directors considers the purpose of the CRA and what their institution's response will be, to inform the community of the types of credit that the institution offers, and to aid the agencies' examiners in assessing each institution's record. If an institution believes that the purposes of the CRA statement would be better served, it could incorporate additional material, such as a description of how its efforts, including special programs, relate to meeting types of credit needed by its community.

The Agencies believe that institutions are aware of the areas they serve

and have well-articulated internal loan policies. The Agencies, therefore, believe that adoption of a CRA statement would not be burdensome to institutions. However, the Agencies invite particular comment on whether institutions with assets of less than \$10 million located outside standard metropolitan statistical areas should be exempted from the written statement requirement unless the Agencies impose it as a supervisory requirement in individual cases.

Institutions would be required to review their statements at least annually. They would be encouraged to review their statements in light of community comments and their experience with offering various types of credit, and to provide, as part of the statement, a public accounting of their efforts to meet community credit needs.

To aid Agency examiners and the public, each institution would be required to keep a file of all CRA statements in effect over the previous two years and of all public comments received during that period. Agency examiners would review the statement and the file in connection with their assessment of each institution's record.

#### ASSESSING THE RECORD

The CRA requires the Agencies to assess each institution's record of meeting the credit needs of its entire community including low- and moderate-income neighborhoods. The proposed regulation would provide for that assessment and set forth a list of factors that the Agencies would consider in making the assessment. The list is only intended to be indicative of the evidence that the Agencies would consider. Institutions may serve their communities in ways not reflected in the list and need not adopt particular activities specified in the list.

Examination procedures, to be issued later by the Agencies, will be publicly available. The Agencies will consult with State supervisory authorities regarding the assessment process.

#### EFFECT ON APPLICATIONS

The CRA requires the Agencies to take an institution's record into account in acting upon certain applications involving that institution. This section would implement that requirement and list the particular application to which each Agency's regulation applies. The Agencies would consult with State supervisors regarding applications involving State-chartered institutions.

The regulations of the Federal Reserve Board and the Federal Home Loan Bank Board would provide that those Agencies may consider the credit-granting record of certain sub-

sidaries of a holding company that is making an application covered by the CRA to the Agency.

The Agencies are considering modifications to their existing application procedures concerning public notice and opportunity to be heard, with respect to applications covered by the CRA.

Accordingly, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board propose to amend 12 CFR by adding Parts 25, 228, 345, and 563e, to read as set forth below.

### PART 228—COMMUNITY REINVESTMENT

#### Sec.

228.1 Authority.

228.2 Purposes.

228.3 Delineation of entire community.

228.4 Community Reinvestment Act statement.

228.5 Assessing the record.

228.6 Effect on applications.

AUTHORITY: Community Reinvestment Act of 1977 (Title VIII, Pub. L. 95-128, 91 Stat. 1147 (12 U.S.C. 2901 et seq.)); 12 U.S.C. 321, 325, 1814, 1816, 1828, 1842).

#### § 228.1 Authority.

The Board of Governors of the Federal Reserve System issues this part to implement the Community Reinvestment Act. (Title VIII of Pub. L. 95-128; 91 Stat. 1147.) The regulations comprising this part are issued under the authority of the Community Reinvestment Act and under the provisions of the United States Code authorizing the Board to conduct examinations of State-chartered banks that are members of the Federal Reserve System (12 U.S.C. 325), to conduct examinations of bank holding companies and subsidiaries thereof (12 U.S.C. 1844), and to consider applications for domestic branches by State member banks (12 U.S.C. 321), for Federal Deposit Insurance in connection with applications for membership in the Federal Reserve System by State banks (12 U.S.C. 321, 1814, 1816), for merger in which the resulting bank would be a State member bank (12 U.S.C. 1828) and for formation of, acquisitions of banks by, and mergers of, bank holding companies (12 U.S.C. 1842).

#### § 228.2 Purposes.

The purposes of this regulation are to require State member banks to demonstrate that their offices serve the convenience and needs of their communities; to provide guidance to State member banks as to how the Board will assess their records in satisfying their continuing and affirmative obligations to help meet the credit needs of their local communities, including low- and moderate-income neighborhoods, consistent with safe and sound operation of such banks;

and to provide for taking into account those records, and those of other pertinent institutions, in connection with certain applications.

#### § 228.3 Delineation of entire community.

(a) Each State member bank shall prepare, and at least annually review, a delineation of the geographic area(s) comprising its entire community. The use of maps is encouraged.

(b) A bank's entire community may consist of more than one local community. More than one office of an institution may serve the same local community. Banks shall delineate local communities consisting of the contiguous areas surrounding each office or group of offices, without excluding low- and moderate-income neighborhoods. In preparing—

(1) Existing boundaries such as those of Standard Metropolitan Statistical Areas (SMSA's) or counties may be used and, where appropriate, portions of adjacent areas may be included. A bank may make adjustments in the case of areas divided by State borders or significant geographic barriers, or areas which are extremely large or of unusual configuration. In addition, a small bank may delineate those portions of SMSA's or counties which it reasonably may be expected to serve.

(2) A bank may use its effective lending territory, meaning that area or areas around each of its offices where it makes a substantial portion of its loans and all other areas equidistant from its offices as those areas, with such adjustments as may be made under paragraph (b)(1) of this section.

(3) A bank may use any other reasonably delineated area which meets the purposes of the Community Reinvestment Act (CRA), and does not exclude low- and moderate-income neighborhoods.

#### § 229.4 Community Reinvestment Act statement.

(a) Within 90 days after the effective date of this part, the board of directors of each State member bank shall adopt a clear and concise Community Reinvestment Act (CRA) statement and shall provide in each of its offices having interior public space, a notice that a copy of the current statement (and, if the statement is drawn separately for local communities, the portion pertaining to such office's community) is readily available on request. The notice shall also indicate that interested persons may submit to the bank or to the Federal Reserve bank for the district where the State member bank is located, with officials' titles and addresses provided, written comments pertaining to the information contained in the statement. In addition, a CRA statement shall have been adopted by the time any of the applications enumer-

ated in § 228.6(a) is submitted.

(b) The CRA statement shall include at least the following:

(1) The delineation of the entire community and local communities, if any, as adopted by the State member bank; and

(2) A list of specific types of credit within certain categories, such as, residential loans for 1 to 4 dwelling units, residential loans for 5 dwelling units and over, housing rehabilitation loans, home improvement loans, small business loans, community development loans, commercial development loans, and consumer loans, which the bank is prepared to extend to its entire community or local communities.

(c) The statement may contain any additional information the bank considers helpful in describing how its efforts, including special programs, relate to meeting types of credit needed by its community.

(d) Each bank is encouraged to provide, as part of its CRA statement, a periodic public accounting of its record of meeting community credit needs.

(e) The bank's board of directors shall review each CRA statement at least annually, and shall approve any material changes whenever made. Such actions shall be noted in its minutes.

(f) The bank shall maintain a public file of all CRA comments received for, at a minimum, the two most recent calendar years, and all CRA statements in effect during those years.

#### § 228.5 Assessing the record.

In connection with its examination of a State member bank, the Board shall assess the record of the bank in helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the bank. The Board will review the bank's CRA statement and marketing and lending policies and practices to determine whether they are designed to help meet those needs, and assess its record of performance. The Board will consider the following factors in assessing a bank's record:

(a) Activities conducted by the bank to ascertain the credit needs of its entire community;

(b) The extent to which the bank has attempted to consult with members of local communities on the bank's plans and policies relating to credit services offered to those communities;

(c) The extent and effectiveness of the bank's marketing programs and special services to make members of the community aware of the credit services offered by the bank;

(d) Evidence of discouragement of applications for types of credit set forth in the bank's CRA statement;

(e) The extent of participation by

the bank's board of directors in formulating and reviewing the bank's policies and performance with respect to the Community Reinvestment Act;

(f) The geographic distribution of the bank's loans;

(g) The bank's participation, including investments, in Government-sponsored local community development projects or other local community re-development programs;

(h) The bank's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, commercial real estate loans, and similar loans within its entire community, or the purchase of such loans originated in its community;

(i) The bank's participation in governmentally insured, guaranteed, or subsidized housing or small business loan programs;

(j) The bank's history of prohibited discriminatory or other illegal credit practices, if any;

(k) The bank's history of opening and closing offices and providing services at offices;

(l) The bank's history of lending to both existing community members and new residents of the community;

(m) The bank's ability to meet various community credit needs based on its financial condition, size, legal impediments, and local economic and other factors; and

(n) Such other factors as may, in the Board's judgment, reasonably bear upon the extent to which the bank is helping to meet the credit needs of its entire community.

#### § 228.6 Effect on applications.

(a) In considering any application: (1) For membership in the Federal Reserve System where such membership would confer Federal deposit insurance on a bank, (2) by a State member bank for the establishment of a domestic branch or other facility that would be authorized to receive deposits, (3) by a State member bank for the relocation of a domestic branch office, (4) for merger, consolidation, acquisition of assets or assumption of liabilities if the acquiring, assuming, or resulting bank is to be a State member bank, (5) to become a bank holding company, and (6) by a bank holding company to acquire ownership or control of shares or assets of a bank, or to merge or consolidate with any other bank holding company, the Board will take into account, among other factors it considers, the record of the bank or, in the case of an application by a bank holding company, each of its subsidiary banks, in meeting the credit needs of its entire community including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution.

(b) In the case of each application for membership that would confer

Federal deposit insurance, each application by a State member bank, and each application by a bank holding company with a State bank subsidiary, the Board will consider any views expressed by the respective State bank supervisors as to whether the State-chartered banks involved have been serving the credit needs of their entire communities, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institutions.

(c) At the time an application for membership that would confer Federal deposit insurance is made, the applicant shall submit to the Board a proposed CRA statement conforming to the requirements of § 228.4.

(d) At the request of an applicant, the record of nonbanking subsidiaries of bank holding companies in meeting the credit needs of communities served by their affiliated banks may be included in the Board's consideration of applications by State member banks that are subsidiaries of such bank holding companies and by such bank holding companies.

Board of Governors of the Federal Reserve System, June 30, 1978.

THEODORE E. ALLISON,  
Secretary of the Board.