

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

**Circular No. 78-181
December 29, 1978**

REGULATION BB--COMMUNITY REINVESTMENT ACT

Proposed Amendment

**TO ALL MEMBER BANKS
AND OTHERS CONCERNED IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:**

The Community Reinvestment Act requires that in connection with their examination of institutions in their jurisdiction, the Federal 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.

On November 10, 1978, the Financial Institutions Regulatory and Interest Rate Control Act of 1978 was enacted (Public Law 95-630), which contained the following amendment to the CRA:

"§ 803 . . .

(4) A financial institution whose business predominantly consists of serving the needs of military personnel who are not located within a defined geographic area may define its 'entire community' to include its entire deposit customer base without regard to geographic proximity."

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 in order to carry out the above statutory language, have proposed a regulatory amendment that would allow qualified institutions to delineate a "military community" of nonlocal depositors in addition to a local community; these would comprise their "entire community" under the regulation.

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.

The Board of Governors of the Federal Reserve System proposes to amend 228.3 of Regulation BB, to add a subsection C as follows:

§ 228.3 . . .

(c) (1) Notwithstanding the requirements of paragraphs (a) and (b) of this section, a State member bank, over half of whose depositors are active duty or retired military personnel of their dependents who reside more than 50 miles from any of its offices, may delineate a "military community" of those depositors, in addition to its local community or communities. A military community shall be delineated by a written description rather than a map.

(2) References to "local communities" in the provisions of this Part shall apply to military communities.

The wording proposed by the other regulatory agencies for their regulations is identical. The Agencies propose this implementation of the statutory provision because preliminary information indicates that institutions potentially qualified under it have a local customer base as well as nonlocal military customers. However, the amendment is issued in proposed form to allow comment on the scope of the statutory provision. Commenters are asked to consider particularly the proposed percentage and mileage limitations, and whether a military community should be the only community required to be delineated where local depositors constitute an insignificant portion of the institution's entire deposit customer base.

Comments should be sent 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 material submitted should refer to FRB Docket No. R-192. Comments must be received by January 8, 1979.

Any questions on the proposed amendment or the CRA may be directed to our Consumer Affairs Unit, ext. 6171.

Sincerely yours,

Robert H. Boykin

First Vice President