



FEDERAL RESERVE BANK OF DALLAS

2200 N. PEARL ST.
DALLAS, TX 75201-2272

July 29, 2004

Notice 04-47

TO: The Chief Executive Officer of each
financial institution and others concerned
in the Eleventh Federal Reserve District

SUBJECT

Withdrawal of Proposed Amendments to Community Reinvestment Act Regulations

DETAILS

The Board of Governors is announcing its intention to withdraw proposed amendments to its Community Reinvestment Act (CRA) regulations. In February 2004, the Board, along with the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the Federal Deposit Insurance Corporation, proposed revisions to the agencies' CRA regulations. The key aspects of the proposal were:

- 1) to raise the small-bank asset threshold from \$250 million to \$500 million, thereby allowing more banks to benefit from streamlined CRA evaluations; and
- 2) to allow examiners to reduce a depository institution's CRA rating if the institution engaged in a pattern or practice of abusive asset-based lending.

While community banks strongly favor raising the threshold, it is uncertain that the cost savings to the average community bank of being "small" rather than "large" under the proposal would be significant. On the other side, the proposal's cost in the form of a potential reduction in community development capital in a significant number of rural communities is also uncertain, but potentially large in at least some communities. On balance, the Board does not believe that the cost savings of the proposal clearly justify the potential adverse effects on certain rural communities.

The commenters were united in their opposition to the proposal to define a single abusive lending practice in the CRA regulations (abusive asset-based lending) to the exclusion of other abusive practices.

For these reasons, the Board is withdrawing the entire proposal.

MORE INFORMATION

For more information, please contact Eugene Coy at (214) 922-6201, or Diane van Gelder at (214) 922-6282, Banking Supervision Department. Paper copies of this notice or previous Federal Reserve Bank notices can be printed from our web site at www.dallasfed.org/banking/notices/index.html.