

AT <sup>8474</sup>  
December 15, 1978

To the Addressee:

Enclosed is a copy of the Board's new Regulation BB,  
"Community Reinvestment," in pamphlet form.

Additional copies of the regulation will be furnished  
upon request.

Circulars Division  
Federal Reserve Bank of New York

**BOARD OF GOVERNORS**  
of the  
**FEDERAL RESERVE SYSTEM**

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**COMMUNITY REINVESTMENT**

**REGULATION BB**  
(12 CFR 228)

**Effective November 6, 1978**



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## STATUTORY AUTHORITY

This regulation is based upon and issued pursuant to provisions of section 806 of the Community Reinvestment Act of 1977, U.S.C., Title 12, sec. 2901 et seq.

## REGULATION BB

(12 CRF 228)

Effective November 6, 1978

### COMMUNITY REINVESTMENT

#### SECTION 228.1—AUTHORITY

The Board of Governors of the Federal Reserve System issues this Part to implement the Community Reinvestment Act (12 U.S.C. 2901 et seq.). 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 their subsidiaries (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).

#### SECTION 228.2—PURPOSES

The purposes of this regulation are to encourage State member banks to help meet the credit needs of their local community or communities; to provide guidance to State member banks as to how the Board will assess the records of State member banks 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 the safe and sound operation of those banks; and to provide for taking into account those records in connection with certain applications.

#### SECTION 228.3—DELINEATION OF COMMUNITY

(a) Each State member bank shall prepare, and at least annually review, a delineation of the local community or communities that comprise its entire community, without excluding low- and moderate-income neighborhoods. Maps shall be used to portray community delineations. The reasonableness of the delineations will be reviewed by Federal Reserve System examiners.

(b) A local community consists of the contiguous areas surrounding each office or group of offices, including any low- and moderate-income neighborhoods in those areas. More than one office of a State member bank may be included in the same local community. Unless the Board determines otherwise, a community delineation need not take account of an off-premises electronic facility that receives deposits for more than one depository institution. In preparing its delineation, a bank may use any one of the three bases set forth below.

(1) Existing boundaries such as those of standard metropolitan statistical areas (SMSA's) or counties in which the bank's office or offices are located may be used to delineate a local community. Where appropriate, portions of adjacent areas should be included. The bank may make adjustments in the case of areas divided by State borders or significant geographic barriers, or areas that are extremely large or of unusual configuration. In addition, a small bank may delineate those portions of SMSA's or counties it reasonably may be expected to serve.

(2) A bank may use its effective lending territory, which is defined as that local area or areas around each office or group of offices where it makes a substantial portion of its loans and all other areas equidistant from its offices as those

areas. Adjustments such as those indicated in paragraph (b)(1) of this section may be made.

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

#### SECTION 228.4—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 Community Reinvestment Act (CRA) Statement for each delineated local community.

(b) Each CRA Statement shall include at least the following:

(1) The delineation of the local community;

(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, farm loans, community development loans, commercial loans, and consumer loans, that the bank is prepared to extend within the local community; and

(3) A copy of the COMMUNITY REINVESTMENT ACT NOTICE provided for in § 228.6.

(c) Each State member bank is encouraged to include the following in each CRA Statement:

(1) A description of how its current efforts, including special credit-related programs, help to meet community credit needs;

(2) A periodic report regarding its record of helping to meet community credit needs; and

(3) A description of its efforts to ascertain the credit needs of its community, including efforts to communicate with members of its community regarding credit services.

(d) Each State member bank's board of directors shall review each CRA Statement at least annually and shall act upon any material change made in the interim at its first regular meeting after the change. Such actions shall be noted in its minutes.

(e) Each current CRA Statement shall be readily available for public inspection:

(1) At the head office of the bank; and

(2) At each office of the bank in the local community delineated in the Statement, except off-premises electronic deposit facilities.

(f) Copies of each current CRA Statement shall be provided to the public upon request. A State member bank may charge a fee not to exceed the cost of reproduction.

#### SECTION 228.5—FILES OF PUBLIC COMMENTS AND RECENT CRA STATEMENTS

(a) Each State member bank shall maintain files that are readily available for public inspection consisting of:

(1) Any signed, written comments received from the public within the past two years that specifically relate to any CRA Statement or to the bank's performance in helping to meet the credit needs of its community or communities;

(2) Any responses to the comments that the bank wishes to make; and

(3) Any CRA Statements in effect during the past two years.

(b) These files shall not contain any comments or responses that reflect adversely upon the good name or reputation of any person other than the bank, or publication of which would violate specific provisions of law.

(c) These files shall be maintained by each State member bank as follows:

(1) All materials at the head office; and

(2) Materials relating to each local community, at a designated office in that community.

#### SECTION 228.6—PUBLIC NOTICE

Within 90 days after the effective date of this Part, each State member bank shall provide, in the public lobby of each of its offices other than off-premises electronic deposit facilities, the public notice set forth below. Bracketed material shall be used only by banks having more than one local community. The last item in this notice shall be included only if the bank is a subsidiary of a holding company that is not prevented by statute from acquiring additional banks.

### COMMUNITY REINVESTMENT ACT NOTICE

The Federal Community Reinvestment Act (CRA) requires the Federal Reserve Board to evaluate our performance in helping to meet the credit needs of this community, and to take this evaluation into account when the Board decides on certain applications submitted by us. Your involvement is encouraged.

You should know that:

- You may obtain our current CRA Statement for this community in this office. [Current CRA Statements for other communities served by us are available at our head office, located at (address).]
- You may send signed, written comments about our CRA Statement[s] or our performance in helping to meet community credit needs to (title and address of State member bank official) and to Community Reinvestment Officer, Federal Reserve Bank of \_\_\_\_\_ (address). Your letter, together with any response by us, may be made public.
- You may look at a file of all signed, written comments received by us within the past 2 years, any responses we have made to the comments, and all CRA Statements in effect during the past 2 years at our office located at (address). [You also may look at the file about this community at (name and address of designated office).]
- You may ask to look at any comments received by the Federal Reserve Bank of \_\_\_\_\_.
- You also may request from the Federal Reserve Bank of \_\_\_\_\_ an announcement of applications covered by the CRA filed with the Federal Reserve System.
- We are a subsidiary of (name of holding company), a bank holding company. Applications filed by bank holding companies that are covered by the CRA are included in the Federal Reserve announcement of applications referred to in the previous paragraph.

### SECTION 228.7—ASSESSING THE RECORD OF PERFORMANCE

In connection with its examination of a State member bank, the Board shall assess the record of performance of the bank in helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the bank. The Board will review the bank's CRA Statement(s) and any signed, written comments retained by the State member bank or the Federal Reserve Bank. In addition, the Board will consider the following factors in assessing a bank's record of performance:

- (a) Activities conducted by the State member bank to ascertain the credit needs of its community, including the extent of the bank's efforts to communicate with members of its community regarding the credit services being provided by the bank;
- (b) The extent of the State member bank's marketing and special credit-related programs to make members of the community aware of the credit services offered by the bank;
- (c) The extent of participation by the State member bank's board of directors in formulating the bank's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act;
- (d) Any practices intended to discourage applications for types of credit set forth in the State member bank's CRA Statement(s);
- (e) The geographic distribution of the State member bank's credit extensions, credit applications, and credit denials;
- (f) Evidence of prohibited discriminatory or other illegal credit practices;
- (g) The State member bank's record of opening and closing offices and providing services at offices;
- (h) The State member bank's participation, including investments, in local community development and redevelopment projects or programs;
- (i) The State member bank's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community;
- (j) The State member bank's participation in governmentally-insured, guaranteed, or subsidized

loan programs for housing, small businesses, or small farms;

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

(l) Other factors that, in the Board's judgment, reasonably bear upon the extent to which a State member bank is helping to meet the credit needs of its entire community.

#### SECTION 228.8—EFFECT ON APPLICATIONS

(a) In considering any application

(1) For membership in the Federal Reserve System where 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,

(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 performance in

meeting the credit needs of its entire community of each applicant bank, each subsidiary bank of an applicant bank holding company, and each proposed subsidiary bank of an applicant under section 3 of the Bank Holding Company Act (12 U.S.C. 1842) that has an officer, director, employee, or significant stockholder associated with the applicant. Those records of performance may be the basis for denying the application.

(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 helping to meet the credit needs of their entire communities, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of those banks.

(c) At the request of an applicant, the Board will include in its consideration of an application the record of performance of nonbanking subsidiaries of bank holding companies in helping to meet the credit needs of the communities served by affiliated applicant banks or by subsidiary and proposed subsidiary banks of applicants under section 3 of the Bank Holding Company Act (12 U.S.C. 1842).

(d) At the time an application for membership that would confer Federal deposit insurance is made, the proposed State member bank shall submit to the Board a proposed CRA Statement conforming to the requirements of § 228.4.

**STATUTORY APPENDIX**

Housing and Community Development Act  
Public Law 95-128, as amended

**TITLE VIII—COMMUNITY REINVESTMENT**

SEC. 801. This title may be cited as the "Community Reinvestment Act of 1977".

SEC. 802. (a) The Congress finds that—

(1) regulated financial institutions are required by law to demonstrate that their deposit facilities serve the convenience and needs of the communities in which they are chartered to do business;

(2) the convenience and needs of communities include the need for credit services as well as deposit services; and

(3) regulated financial institutions have continuing and affirmative obligation to help meet the credit needs of the local communities in which they are chartered.

(b) It is the purpose of this title to require each appropriate Federal financial supervisory agency to use its authority when examining financial institutions, to encourage such institutions to help meet the credit needs of the local communities in which they are chartered consistent with the safe and sound operation of such institutions.

SEC. 803. For the purposes of this title—

(1) the term "appropriate Federal financial supervisory agency" means—

(A) the Comptroller of the Currency with respect to national banks;

(B) the Board of Governors of the Federal Reserve System with respect to State chartered banks which are members of the Federal Reserve System and bank holding companies;

(C) the Federal Deposit Insurance Corporation with respect to State chartered banks and savings banks which are not members of the Federal Reserve System and the deposits of which are insured by the Corporation; and

(D) the Federal Home Loan Bank Board with respect to institutions the deposits of which are insured by the Federal Savings and Loan Insurance Corporation and to savings and loan holding companies;

(2) the term "regulated financial institution" means an insured bank as defined in section 3 of the Federal Deposit Insurance Act or an insured institution as defined in section 401 of the National Housing Act; and

(3) the term "application for a deposit facility" means an application to the appropriate Federal financial supervisory agency

otherwise required under Federal law or regulations thereunder for—

(A) a charter for a national bank or Federal savings and loan association;

(B) deposit insurance in connection with a newly chartered State bank, savings bank, savings and loan association or similar institution;

(C) the establishment of a domestic branch or other facility with the ability to accept deposits of a regulated financial institution;

(D) the relocation of the home office or a branch office of a regulated financial institution;

(E) the merger or consolidation with, or the acquisition of the assets, or the assumption of the liabilities of a regulated financial institution requiring approval under section 18(c) of the Federal Deposit Insurance Act or under regulations issued under the authority of title IV of the National Housing Act; or

(F) the acquisition of shares in, or the assets of, a regulated financial institution requiring approval under section 3 of the Bank Holding Company Act of 1956 or section 408(e) of the National Housing Act.

(4) A financial institution whose business predominately 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.

SEC. 804. In connection with its examination of a financial institution, the appropriate Federal financial supervisory agency shall—

(1) assess the 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 such institution; and

(2) take such record into account in its evaluation of an application for a deposit facility by such institution.

SEC. 805. Each appropriate Federal financial supervisory agency shall include in its annual report to the Congress a section outlining the actions it has taken to carry out its responsibilities under this title.

SEC. 806. Regulations to carry out the purposes of this title shall be published by each appropriate Federal financial supervisory agency, and shall take effect no later than 390 days after the date of enactment of this title.



## REGULATION BB—INTERPRETATION

### COMMUNITY REINVESTMENT

#### INTERPRETATIONS OF REGULATION BB

##### SECTION 228.1

##### SECTION 228.101—APPLICABILITY OF THE COMMUNITY REINVESTMENT ACT TO CERTAIN SPECIAL PURPOSE BANKS

(a) In response to its proposed Regulation BB to implement the Community Reinvestment Act ("CRA") (12 U.S.C. 2901-05), the Board received several inquiries from institutions that, although they are chartered as banks, do not perform commercial or retail banking services. These institutions serve solely as correspondent banks, or as trust companies, or as clearing agents, and they do not extend credit to the public for their own account. The Board concludes that the CRA is not intended to cover these institutions.

(b) It is the purpose of the CRA to require the

Board to encourage banks to meet the credit needs of their local communities. To this end, the Board must assess banks' records of performance and take those records into account in acting on certain applications affecting the banks. The Board believes that these provisions were intended to cover all banks that are in the business of extending credit to the public including both "wholesale" and "retail" banks. The lending activities of these banks affect the economic health of the communities in which they are chartered. However, the Board believes it would be pointless to encourage or to assess the credit-granting record of institutions that are not organized to grant credit to the public in the ordinary course of business, other than as an incident to their specialized operations.

(c) Accordingly the term "State member bank" as used in the Board's Regulation BB (12 CFR 228) does not include banks that engage solely in correspondent banking business, trust company business, or acting as a clearing agent.

11/6/78