



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

October 20, 2010

Kristin Siglin
Vice President and Senior Policy Advisor
Enterprise Community Partners
10 G Street, N.E.
Washington, DC 20002

Dear Ms. Siglin:

I am writing in response to a letter that Enterprise Community Partners and several other community organizations sent to the Office of the Comptroller of the Currency (OCC) and the other federal banking agencies regarding the interagency Community Reinvestment Act (CRA) regulations. We discussed these issues in detail at your meeting with me and other OCC representatives.

In your letter, you asked that the agencies undertake a broad reconsideration of the CRA regulations and revise the rules as necessary to reflect the considerable changes in the banking industry since the rules were last revised substantially in 1995. Among other things, you encouraged us to consider the appropriateness of the current rules on assessment areas for institutions that have no substantive ties to a particular geography or that serve a nationwide market. You also encouraged the agencies to consider the creation of a community development test for large retail institutions. As you know, since we received your letter, the agencies have initiated a review of the CRA regulations, and we have just completed a series of public meetings on these issues. The agencies requested public comment on CRA-related issues, including on the concerns that you have raised, and the OCC will ensure that your letter is included in the public comment file in connection with this initiative.

You also requested clarification of our policies on a number of specific CRA issues of interest to community development organizations. I am happy to provide you with information on the OCC's perspectives on these issues, with reference to existing regulatory precedent and guidelines.

First, you requested that the agencies revise the Interagency Questions and Answers Regarding Community Reinvestment (Q/As) to address concerns about the ability of multi-investor community development funds to attract capital to smaller and rural geographies through CRA-eligible investments. In particular, you requested that we clarify the circumstances in which a bank will receive "full and undiscounted credit" for these investments that benefit broader regional areas that include a bank's assessment areas. This issue is generally addressed in

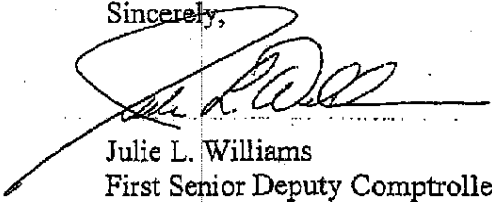
Q/A __.12(h)-7, which provides that an institution will receive CRA consideration of community development activities outside its assessment area as long as the bank has adequately addressed the community development needs of its assessment area(s) and even if those activities do not benefit the assessment area(s). The OCC implements this guidance as follows: If a national bank seeks CRA consideration for a loan or investment in an area that is in the broader statewide or region that contains a bank CRA assessment area, and the bank's current lending or investment performance (as applicable) in the assessment area is, in the opinion of the examiner, "low-satisfactory" or higher, the bank would receive favorable CRA consideration for this activity. The activity will be described in the Performance Evaluation (PE) that the OCC prepares for the bank, and the full dollar amount of the investment or loan will appear in the tables contained in the PE.

Second, you asked that community development lending be permitted to be evaluated under the investment test at the request of a bank to address concerns that low-volume but high-impact community development lending receives less consideration than high volume mortgage and small business lending under the lending test. Under the CRA regulations, loans are evaluated exclusively under the lending test. See 12 CFR 25.22. However, the issue you raise -- whether quantity or impact predominates in a CRA evaluation -- is addressed to some extent in interagency guidance. In particular, Q/A __.22(b)(4)-1 provides: "[t]he extent of CRA consideration an institution receives for its community development loans should bear a direct relationship to the benefits received by the community and the innovation or complexity of the loans required to accomplish the activity, not simply to the dollar amount expended on a particular transaction. [A] community development loan of a lower dollar amount could meet the credit needs of [an] institution's community to a greater extent than a ... loan with a higher dollar amount, but with less innovation, complexity, or impact on the community." Consistent with this guidance, national bank examiners will give appropriate weight to community development loans and highlight high-impact lending that is responsive to community needs in the PE.

Finally, you asked us to treat loan guarantees and letters of credit the same as direct loans in a CRA examination to address concerns that credit enhancements receive insufficient recognition in CRA evaluations. Under the CRA regulations, letters of credit are treated as "other loan data," not as loans, in the lending test. See 12 CFR 25.22(a)(2), and Q/A __.22(a)(2)-4 (examples of "other loan data" include unfunded loan commitments and letters of credit). Consistent with this guidance, national bank examiners will document credit enhancements such as letters of credit provided by the bank for CRA consideration in a table in a bank's CRA PE under the heading "Other Products" or, as appropriate, note them in the narrative description of a bank's lending activities in the PE.

I hope that this is responsive to your inquiry. If you have any further questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Julie L. Williams", written over a horizontal dotted line.

Julie L. Williams
First Senior Deputy Comptroller and Chief Counsel