

Press Releases

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OTS 04-49 - OTS Announces Two New Burden Reduction Initiatives: Final EGRPRA Rule and CRA Streamlining Proposal

Office of Thrift Supervision

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For further information

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Contact: Kevin Petrasic

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OTS Announces Two New Burden Reduction Initiatives: Final EGRPRA Rule and CRA Streamlining Proposal

WASHINGTON, D.C. -- The Office of Thrift Supervision (OTS) announced today the publication of an interim final rule, pursuant to the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA), which will reduce regulatory burden on savings associations by updating and revising various application and reporting requirements. In addition, OTS released a proposal and request for comments on revising the definition of "community development" under its Community Reinvestment Act (CRA) regulations. The proposal also solicits comment on reducing regulatory burden by providing flexibility to large retail savings associations to focus CRA efforts on the CRA needs of the communities they serve.

Under the EGRPRA rule, OTS is: (1) modifying thrift branch and agency office application and notice requirements; (2) revising the publication and public comment procedures for various OTS applications and notices; and (3) revising the agency's procedures for formal and informal meetings held in connection with OTS applications. In addition, OTS is eliminating a number of rules that no longer serve a useful regulatory purpose.

In connection with its CRA proposal, OTS is seeking comment on two distinct areas.

First, the proposal is designed to encourage all savings associations to increase their community development lending, qualified investments and community development services in rural areas, with a particular focus on increasing these activities in underserved nonmetropolitan areas. OTS is concerned that competition for scarce CRA loans and investments in certain metropolitan areas not only disadvantages small institutions that cannot compete for quality CRA loans and investments, but also overly skews the focus of CRA towards urban areas.

Specifically, OTS is soliciting comment on whether the definition of "community development" should be expanded to include community services targeted to individuals in rural areas, and activities that revitalize or stabilize rural areas.

OTS also seeks comment on further encouraging savings associations to perform community development activities in areas affected by natural disasters or other major community disruptions. OTS policy currently takes into account a thrift's disaster relief efforts--including economic stabilization and revitalization activities--when evaluating the institution's CRA

performance. OTS is seeking comment on whether to formalize this policy in the agency's CRA regulations.

Second, the CRA proposal solicits comment on revising the existing ratings matrix for large retail institutions. Currently, the matrix sets forth a rigid scale assigning a 50 percent weighting to lending and 25 percent to both services and investments. OTS seeks comment on allowing savings associations under the large retail institution test to adjust their individual ratings matrix above a mandatory 50 percent weighting for lending. Thus, large institutions would have a floor requiring a minimum 50 percent weighting for lending activities in their CRA rating, but could adjust the weighting for lending, investments and services in determining the remaining 50 percent weighting toward their overall CRA rating.

In effect, large institutions would be able to assess their ability to provide the greatest impact in the areas of greatest CRA need in their community, and adjust their CRA activities accordingly. In addition to promoting a more effective and efficient CRA mechanism for large savings associations, OTS believes that this will improve the delivery of CRA loans, investments and services based on historic and evolving community needs and program impact. In addition, maintaining the 50 percent floor weighting for lending activities will ensure that existing CRA lending activities are not diminished under the proposal.

The Interim Final EGRPRA Rule and the Notice of Proposed Rulemaking on CRA are expected to appear in the November 23, 2004, issue of the *Federal Register*. Comments are due on both rules 60 days after the date of publication in the *Federal Register*. The Interim Final EGRPRA Rule is scheduled to become effective January 1, 2005.

EGRPRA Rule - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2004-49a.pdf>

CRA Streamlining Proposal - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2004-49b.pdf>

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The Office of Thrift Supervision, an office of the Department of the Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of, and compliance with consumer protection laws by, thrift institutions, and to support their role as home mortgage lenders and providers of other community credit and financial services. OTS also oversees the activities and operations of thrift holding companies that own or control thrift institutions. Copies of OTS news releases and other documents are available at the OTS web page at www.ots.treas.gov.