

DEPARTMENT OF THE TREASURY

Office of the Comptroller of the Currency

12 CFR Part 25

[Docket No. 06-18]

RIN 1557-AD00

FEDERAL RESERVE SYSTEM

12 CFR Part 228

[Regulation BB; Docket No. R-1273]

FEDERAL DEPOSIT INSURANCE CORPORATION

12 CFR Part 345

RIN 3064-AD11

Community Reinvestment Act Regulations

AGENCIES: Office of the Comptroller of the Currency, Treasury (OCC); Board of Governors of the Federal Reserve System (Board); Federal Deposit Insurance Corporation (FDIC).

ACTION: Joint final rule; technical correction.

SUMMARY: The OCC, the Board, and the FDIC (collectively, the “agencies”) are publishing this joint final rule to reinsert a provision that was inadvertently deleted when the agencies revised their Community Reinvestment Act (CRA) regulations in August 2005. This change is technical only and does not make any substantive revisions. The agencies are also amending their CRA regulations to increase the asset-size threshold to be used to define “small bank” and “intermediate small bank.” The regulation is amended to state the increase in the threshold amount based on the annual percentage change in the Consumer Price Index.

DATE: Effective January 1, 2007.

FOR FURTHER INFORMATION CONTACT:

OCC: Margaret Hesse, Special Counsel, Community and Consumer Law Division, (202) 874-5750; or Karen Tucker, National Bank Examiner, Compliance Division, (202) 874-4428, Office of the Comptroller of the Currency, 250 E Street, SW., Washington, DC 20219.

Board: Anjanette M. Kichline, Senior Supervisory Consumer Financial Services Analyst, (202) 785-6054; or Elizabeth A. Eurgubian, Attorney, (202) 452-3667, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW., Washington, DC 20551.

FDIC: Faye Murphy, Fair Lending Specialist, (202) 898-6613, CRA and Fair Lending Policy Section, Division of Supervision and Consumer Protection; or Susan van den Toorn, Counsel, Legal Division, (202) 898-8707, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429.

SUPPLEMENTARY INFORMATION:

Background

The agencies jointly are amending their regulations at 12 CFR parts 25, 228, and 345 implementing the CRA (12 U.S.C. 2901 *et seq.*) to make a technical correction related to regulatory changes that became effective on September 1, 2005 (70 FR 44256) and to publish an increase in the asset-size threshold for small and intermediate small banks as required by the regulations. The agencies will publish current and historical asset-size thresholds on the website of the Federal Financial Institutions Examination Council at <http://www.ffiec.gov/cra/>.

Description of the Joint Final Rule

The technical correction published today adds as paragraph (d) to §§ 25.26, 228.26, and 345.26 a provision stating, “The [agency] rates the performance of a bank evaluated under this section as provided in appendix A of this part.” No change in the evaluation or rating of small banks will result from reinserting the provision as new paragraph (d). The agencies find it important to make this technical correction in order to provide clarification and consistency with other similar provisions in parts 25, 228, and 345.

The agencies’ CRA regulations, as revised on September 1, 2005, provide that banks that, as of December 31 of either of the prior two calendar years, had assets of less than \$1 billion are “small banks.” Small banks with assets of at least \$250 million as of December 31 of both of the prior two calendar years and less than \$1 billion as of December 31 of either of the prior two calendar years are “intermediate small banks.” 12 CFR 25.12(u)(1), 228.12(u)(1), and 345.12(u)(1). The regulations further provide that the agencies will publish annual adjustments to these dollar figures based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPIW), not seasonally adjusted, for each twelve-month period ending in November, with rounding to the nearest million. 12 CFR 25.12(u)(2), 228.12(u)(2), and 345.12(u)(2).

During the period ending November 2006, the CPIW increased by 3.32 percent. As a result, the agencies are revising §§ 25.12(u)(1), 228.12(u)(1), and 345.12(u)(1) to make this annual adjustment. Beginning January 1, 2007, banks that, as of December 31 of either of the prior two calendar years, had assets of less than \$1.033 billion are “small banks.” Small banks with assets of at least \$258 million as of December 31 of both of the prior two calendar years and less than

\$1.033 billion as of December 31 of either of the prior two calendar years are “intermediate small banks.”

Administrative Procedure Act and Effective Date

Under 5 U.S.C. 553(b)(B) of the Administrative Procedure Act (APA), an agency may, for good cause, find (and incorporate the finding and a brief statement of reasons therefore in the rules issued) that notice and public procedure thereon are impracticable, unnecessary, or contrary to the public interest.

With regard to the revision adding back the paragraph referring to appendix A: Appendix A to the agencies’ regulations describes the CRA ratings system for each performance test under the regulations and provides specific information on what institutions must demonstrate in order to achieve a particular rating. Prior to the regulatory changes adopted in 2005, each provision in the agencies’ regulations describing a performance test included a paragraph stating that the performance of a bank under that particular test is rated as provided in appendix A. In 2005, the agencies revised §§ 25.26, 228.26, and 345.26 and appendix A to include a new performance test for banks that meet the definition of “intermediate small bank.” In adopting the revision, the paragraph in §§ 25.26, 228.26, and 345.26 referring to appendix A inadvertently was deleted. This revision adds that paragraph back into the regulations. For these reasons, the agencies, for good cause, find that the notice and comment procedures prescribed by the APA are unnecessary because the joint final rule is making a technical correction without substantive change to the provisions of parts 25, 228, and 345.

With regard to the adjusted asset-size thresholds: The amendments to the regulations to adjust the asset-size thresholds for small and intermediate small banks are technical. Sections 25.12(u)(1), 228.12(u)(1), and 345.12(u)(1) are amended by adjusting the asset threshold as provided for in §§ 25.12(u)(2), 228.12(u)(2), and 345.12(u)(2). This amendment applies the formula established by the CRA regulations for determining adjustments to the small and intermediate small bank asset thresholds.

For these reasons, the agencies have determined that publishing a notice of proposed rulemaking and providing opportunity for public comment are unnecessary.

Under 5 U.S.C. 553(d)(3) of the APA, the required publication or service of a substantive rule shall be made not less than 30 days before its effective date, except, among other things, as provided by the agency for good cause found and published with the rule. The agencies find that there is good cause for shortened notice because the revisions made by this joint final rule are minor, nonsubstantive, and technical. This joint final rule takes effect January 1, 2007.

Regulatory Flexibility Act

The Regulatory Flexibility Act (RFA) does not apply to a rulemaking where a general notice of proposed rulemaking is not required. 5 U.S.C. 603 and 604. As noted previously, the agencies have determined that it is unnecessary to publish a notice of proposed rulemaking for this joint final rule. Accordingly, the RFA’s requirements relating to an initial and final regulatory flexibility analysis do not apply.

Paperwork Reduction Act of 1995

There are no collection of information requirements in this joint final rule.

Executive Order 12866

The OCC has determined that this joint final rule is not a significant regulatory action as defined in Executive Order 12866.

Unfunded Mandates Reform Act of 1995

Section 202 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. 1532 (Unfunded Mandates Act), requires that an agency must prepare a budgetary impact statement before promulgating any rule likely to result in a Federal mandate that may result in the expenditure by State, local, and tribal governments, in the aggregate, or by the private sector of \$100 million or more in any one year. If a budgetary impact statement is required, section 205 of the Unfunded Mandates Act also requires an agency to identify and consider a reasonable number of regulatory alternatives before promulgating a rule. The OCC has determined that this joint final rule will not result in expenditures by State, local, and tribal governments, or by the private sector, of \$100 million or more in any one year. Accordingly, this joint final rule is not subject to section 202 of the Unfunded Mandates Act.

Executive Order 13132

The OCC has determined that this joint final rule does not have any Federalism implications as required by Executive Order 13132.

List of Subjects

12 CFR Part 25

Community development, Credit, Investments, National banks, Reporting and recordkeeping requirements.

12 CFR Part 228

Banks, banking, Community development, Credit, Investments, Reporting and recordkeeping requirements.

12 CFR Part 345

Banks, banking, Community development, Credit, Investments, Reporting and recordkeeping requirements.

Department of the Treasury

Office of the Comptroller of the Currency

12 CFR Chapter I

For the reasons discussed in the joint preamble, 12 CFR part 25 is amended as follows:

PART 25 – COMMUNITY REINVESTMENT ACT AND INTERSTATE DEPOSIT PRODUCTION REGULATIONS

1. The authority citation for part 25 continues to read as follows:

Authority: 12 U.S.C. 21, 22, 26, 27, 30, 36, 93a, 161, 215, 215a, 481, 1814, 1816, 1828(c), 1835a, 2901 through 2907, and 3101 through 3111.

2. Revise § 25.12(u)(1) to read as follows:

§ 25.12 Definitions.

* * * * *

(u) Small bank – (1) Definition. Small bank means a bank that, as of December 31 of either of the prior two calendar years, had assets of less than \$1.033 billion. Intermediate small bank means a small bank with assets of at least \$258 million as of December 31 of both of the prior two calendar years and less than \$1.033 billion as of December 31 of either of the prior two calendar years.

* * * * *

3. Add § 25.26(d) to read as follows:

§ 25.26 Small bank performance standards.

* * * * *

(d) Small bank performance rating. The OCC rates the performance of a bank evaluated under this section as provided in appendix A of this part.

Federal Reserve System

12 CFR Chapter II

For the reasons set forth in the joint preamble, the Board of Governors of the Federal Reserve System amends part 228 of chapter II of title 12 of the Code of Federal Regulations as follows:

PART 228 – COMMUNITY REINVESTMENT (REGULATION BB)

1. The authority citation for part 228 continues to read as follows:

Authority: 12 U.S.C. 321, 325, 1828(c), 1842, 1843, 1844, and 2901 et seq.

2. Revise § 228.12(u)(1) to read as follows:

§ 228.12 Definitions.

* * * * *

(u) Small bank – (1) Definition. Small bank means a bank that, as of December 31 of either of the prior two calendar years, had assets of less than \$1.033 billion. Intermediate small bank means a small bank with assets of at least \$258 million as of December 31 of both of the prior two calendar years and less than \$1.033 billion as of December 31 of either of the prior two calendar years.

* * * * *

3. Add § 228.26(d) to read as follows:

§ 228.26 Small bank performance standards.

* * * * *

(d) Small bank performance rating. The Board rates the performance of a bank evaluated under this section as provided in appendix A of this part.

Federal Deposit Insurance Corporation

12 CFR Chapter III

Authority and Issuance

For the reasons set forth in the joint preamble, the Board of Directors of the Federal Deposit Insurance Corporation amends part 345 of chapter III of title 12 of the Code of Federal Regulations to read as follows:

PART 345 – COMMUNITY REINVESTMENT

1. The authority citation for part 345 continues to read as follows:

Authority: 12 U.S.C. 1814-1817, 1819-1820, 1828, 1831u and 2901-2907, 3103-3104, and 3108(a).

2. Revise § 345.12(u)(1) to read as follows:

§ 345.12 Definitions.

* * * * *

(u) Small bank – (1) Definition. Small bank means a bank that, as of December 31 of either of the prior two calendar years, had assets of less than \$1.033 billion. Intermediate small bank means a small bank with assets of at least \$258 million as of December 31 of both of the prior two calendar years and less than \$1.033 billion as of December 31 of either of the prior two calendar years.

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3. Add § 345.26(d) to read as follows:

§ 345.26 Small bank performance standards.

* * * * *

(d) Small bank performance rating. The FDIC rates the performance of a bank evaluated under this section as provided in appendix A of this part.

[THIS SIGNATURE PAGE PERTAINS TO THE JOINT FINAL RULE ENTITLED
“COMMUNITY REINVESTMENT ACT REGULATIONS.”]

Dated: December 15, 2006.

Julie L. Williams (signed)

Julie L. Williams,

First Senior Deputy Comptroller and Chief Counsel.

[THIS SIGNATURE PAGE PERTAINS TO THE JOINT FINAL RULE ENTITLED
“COMMUNITY REINVESTMENT ACT REGULATIONS.”]

By order of the Board of Governors of the Federal Reserve System,

December 19, 2006.

Jennifer J. Johnson (signed)

Jennifer J. Johnson,

Secretary of the Board.

**[THIS SIGNATURE PAGE PERTAINS TO THE JOINT FINAL RULE ENTITLED
“COMMUNITY REINVESTMENT ACT REGULATIONS.”]**

By order of the Board of Directors.

Dated at Washington, D.C., this 18th day of December, 2006.

FEDERAL DEPOSIT INSURANCE CORPORATION

Robert E. Feldman (signed)

Robert E. Feldman,

Executive Secretary.

(SEAL)