

**Board of Governors of the Federal Reserve System  
Federal Deposit Insurance Corporation  
Office of the Comptroller of the Currency  
Office of Thrift Supervision**

June 3, 2004

The Honorable Barney Frank  
Ranking Member  
Committee on Financial Services  
House of Representatives  
Washington, D.C. 20515

Dear Congressman Frank:

Thank you for your recent letter concerning international remittances services and requesting that the federal banking agencies consider whether the Community Reinvestment Act (CRA) regulations can be interpreted to permit favorable consideration of such services in a financial institution's CRA evaluation. As stated in your letter, remittances services serve an important community need for many low- and moderate-income persons, particularly those who use the services to send money to family members in Latin America. You expressed concern that, although the growth of this business has tripled in recent years, the cost of remittances for consumers in the United States has not declined commensurate with greater volume and competition in this market. You note that providing CRA consideration for remittances services could act as an incentive for banks to lower the costs of these services.

We agree that the sale of remittances can provide an important service in low- and moderate-income communities, and help financial institutions to access a new, or expand an existing, customer base that may not have used traditional banking services in the past. For this reason, as discussed below, we agree that remittances services by wire transfer or the automated clearinghouse would receive consideration in a financial institution's CRA evaluation as a retail service under the current regulations.

The agencies evaluate the record of a large financial institution--generally those with assets over \$250 million or belonging to a holding company with assets over \$1 billion--in providing retail and community development services when they conduct a CRA examination. Further, examiners may consider the record of a small institution in providing these services to determine whether the institution should receive an outstanding rating. In addition to being a retail service under the regulation, remittances services may also qualify as a community development service if they serve to increase access to financial services by low- and moderate-income persons (for example, by being offered in connection with a low-cost account). In fact, some financial institutions have received favorable consideration for their remittances services in

CRA examinations. The impact that a particular service has on a financial institution's CRA rating, however, will depend on its overall performance.

You asked whether the agencies could differentiate in a CRA evaluation between the mere provision of international remittances and the provision of these services at a comparably low cost. The regulations provide that examiners consider both the extent to which a bank provides community development services and the "responsiveness" of the services to the needs of low- and moderate-income individuals. Therefore, similar to the treatment of low-cost bank accounts in a CRA examination (*see* Interagency Questions and Answers Regarding Community Reinvestment), examiners would consider the responsiveness of remittances services to the needs of low- and moderate-income individuals.

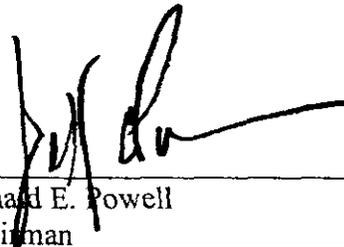
Finally, you inquired about the feasibility of including guidance on this matter in the agencies' question and answer document in the interest of making financial institutions aware that they may receive favorable CRA consideration for providing remittances services. The next update to our questions and answers guidance on the interagency CRA regulations may be an appropriate and timely means to provide this clarification.

Thank you again for your letter. If you have any further questions on this matter, please do not hesitate to contact us again.

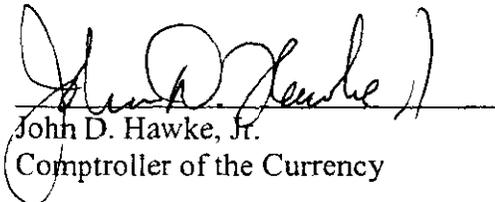
Sincerely,



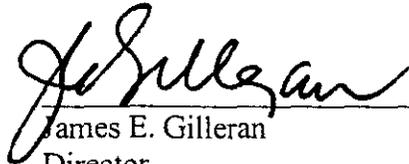
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Donald E. Powell  
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