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

January 11, 2006

The Honorable Julia Carson
U.S. House of Representatives
Washington, D.C. 20515

Dear Congresswoman Carson:

Thank you for your letter dated November 4, 2005, concerning consideration under the Community Reinvestment Act (CRA) of certain activities by financial institutions in areas affected by Hurricane Katrina.

In your letter, you urge the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision (agencies) to provide financial institutions across the country with favorable CRA consideration for qualified investments in minority-owned federally insured financial institutions located in the areas affected by Hurricane Katrina, without a requirement that the minority-owned institution be located in the investing institution's CRA assessment area.

Although, as you note, the agencies' regulatory definitions of "community development" differ, the agencies nevertheless can and will provide favorable consideration to investments in minority-owned institutions in the circumstances you describe. The CRA statute provides that, in assessing the CRA performance of a nonminority-owned and nonwomen-owned financial institution, the appropriate federal financial supervisory agency may consider as a factor capital investments, loan participations, and other ventures undertaken by the institution in cooperation with minority-owned financial institutions, provided that these activities help meet the credit needs of local communities in which the minority-owned institutions are chartered.¹ The statute would not restrict consideration of this factor to when such activities benefit the investing institution's assessment area.

¹ 12 U.S.C. § 2903(b). The Interagency Questions and Answers Regarding Community Reinvestment provide that investments in minority- and women-owned financial institutions that primarily lend or facilitate lending in low- and moderate-income areas or to low- and moderate-income individuals is an activity that promotes community development. See 66 Fed. Reg. 36620, 36629 (July 12, 2001) (Q&A §§ __.12(s) & 563e.12(r) - 4: "What are examples of qualified investments?"). As noted in our response dated December 5, 2005, to another inquiry concerning CRA consideration of hurricane-related assistance, the agencies' examiners will employ flexibility in their consideration of CRA activities that are responsive to disaster needs. (See attached).

Therefore, in response to your question, a financial institution's investments in a minority-owned institution will be favorably considered in the CRA performance evaluation of the investing institution, even if the minority-owned institution is not located in the assessment area(s) of the investing institution or the broader statewide or regional areas that include its assessment area(s).

We appreciate your interest in this matter. If you have further questions, please do not hesitate to contact us again.

Sincerely,


Alan Greenspan
Chairman
Board of Governors of the
Federal Reserve System


John C. Dugan
Comptroller of the Currency


Martin J. Gruenberg
Acting Chairman
Federal Deposit Insurance Corporation


John Reich
Director
Office of Thrift Supervision

Attachment