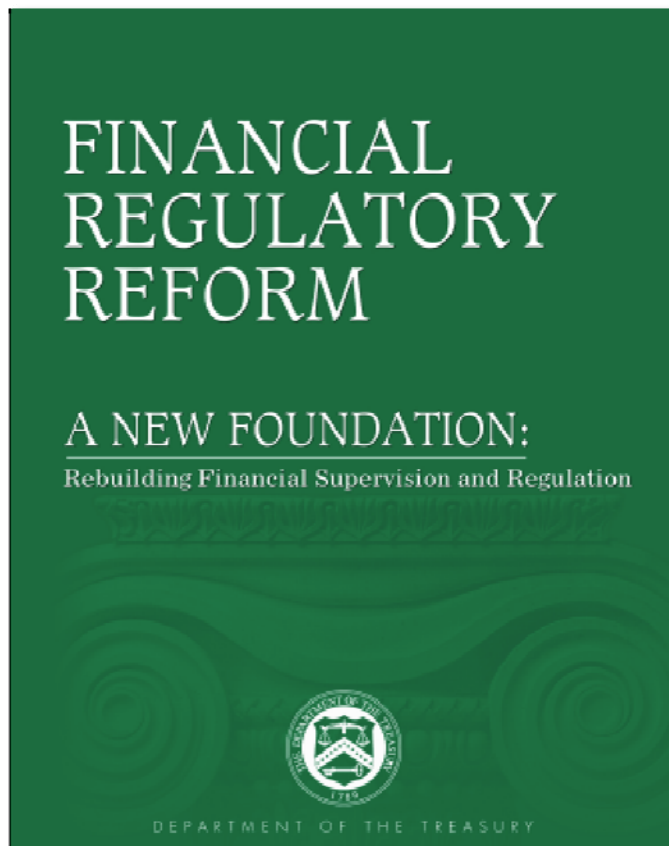


Treasury proposes Financial Reform with Big CRA Changes

The United States Department of the Treasury has issued an 89 page document that proposes sweeping changes to bank regulation. For CRA officers, the document declares that a more “vigorous” application of CRA must be enforced. The document states that: “Rigorous application of the Community Reinvestment Act (CRA) should be a core function of the CFPA.”



The Treasury proposes not only more rigorous application of the CRA, but also that the CRA “performance review” process shall be *entirely* the responsibility of the newly proposed *Consumer Financial Protection Agency (CFPA)*.

We propose that the CFPA should have **sole authority** (emphasis added) to evaluate institutions under the CRA. While the prudential regulators should have the authority to decide applications for institutions to merge, the CFPA should be responsible for determining the institution’s record of meeting the lending, investment, and services needs of its community under the CRA, which would be part of the merger application.

Underlying these proposals is not only a more stringent enforcement of the Regulation, but an inherent skepticism of current enforcement by the four bank regulators. Consumer advocacy groups long have charged that bank regulators have inflated bank CRA performance. Last year, (2008) Congressman Barney Frank himself expressed skepticism about the low incidence of substandard Bank CRA performance ratings to Agency heads. Watch out for CRA performance evaluations to get much tougher very quickly. Regulators read the election returns too!