

also its affiliates, if the lending by affiliates is considered in the assessment of the institution.

Transition

The 1994 proposal would have established a transition period from July 1, 1995, to July 1, 1996. Institutions subject to data collection and reporting requirements would have been required to begin collecting home mortgage, small business, and consumer loan data on July 1, 1995. Assessments under the proposed standards would have begun July 1, 1996. However, small institutions would have had the opportunity to be examined, at their option, under the small institution assessment method anytime after July 1, 1995. Anytime on or after July 1, 1995, an institution could have elected to submit for approval a strategic plan, and examinations under approved strategic plans would have begun July 1, 1996.

Many industry commenters requested that the transition period be lengthened to provide institutions with more time to develop procedures for satisfying the data collection requirements. Also, some of these commenters recommended against implementing the data collection requirements on July 1, because they believed that data collected for a half year would not be useful. Moreover, some industry commenters asked that data collection begin on January 1, to fall in line with other materials that are maintained on a calendar-year basis.

In light of these comments and the fact that the implementation dates set forth in the 1994 proposal reflected anticipated publication of the final rule in January 1995, the data collection requirements set forth in the final rule will become effective January 1, 1996. The reporting requirements will become effective January 1, 1997. Evaluations under the lending, investment, service, and community development tests will begin July 1, 1997, in order to allow the agencies to use the newly reported data. However, evaluations under the small bank performance standards, which do not utilize new data, will begin January 1, 1996. In addition, beginning January 1, 1996, any institution may submit a strategic plan for approval or elect to be examined under the revised performance tests, if the institution provides the necessary data.

An institution that elects evaluation under the lending, investment, and service tests before July 1, 1997, must provide, in machine readable form, data on small business and small farm loans and community development loans for the twelve month period preceding the examination. The institution must also

provide, in machine readable form, the location of home mortgage loans located outside MSAs in which the institution has an office (or outside any MSA) for that period. If the institution elects evaluation of any category of consumer loans, the institution must also provide consumer loan data, in machine readable form, for that category for that period. An institution that seeks evaluation under the community development test must apply for designation as a wholesale or limited purpose bank three months prior to its examination and must provide data on community development loans for the twelve months prior to the examination. All institutions evaluated under the revised tests and standards or under an approved strategic plan before July 1, 1997, must delineate their assessment areas in accordance with the provisions of the final rule.

CRA Notice

The 1994 proposal would have made minor changes to the notice requirements set forth in the 1993 proposal. The term "head office" was changed to "main office" for clarity. Within the notice, the statement of what is included in the CRA performance file would have been expanded to describe more accurately the contents of the file. The final rule makes additional changes to reflect changes in the public file provisions.

Multiple Assessment Areas

The 1994 proposal did not address how institutions with multiple assessment areas would be examined or how performance in different assessment areas would affect the overall rating. The agencies received comments expressing a broad range of opinions regarding the examination treatment and assessment of institutions with multiple assessment areas. Several community group commenters stated that "sampling" among assessment areas was unacceptable, while an industry organization suggested an elaborate sampling procedure. Other commenters proposed that certain assessment area characteristics, such as the percentage of the institution's deposits or assets in the assessment area, should determine the weight that performance in that assessment area should have on the overall rating of the institution. Other commenters were concerned that such proposals could mean that rural assessment areas would not be given appropriate consideration in the examination process.

The agencies continue to believe that the examination treatment of multiple assessment areas is best left for

examination procedures, rather than stated in regulatory text. Whether an institution has one assessment area or several, the examiner must have an adequate factual basis on which to assess an institution's record of performance, and the overall rating must be fair and appropriate. These objectives do not necessarily require that an agency examine an institution's performance in every assessment area in the same way or that the rule state how performance in different assessment areas is aggregated. Just as a single mathematical calculation cannot determine performance in an assessment area, so the appropriate treatment of multiple assessment areas cannot be reduced to a formula.

The agencies note that the IBEA amended the provisions of the CRA regarding written evaluations, and the examination procedures will be consistent with those requirements.

Written Evaluations

Although the 1994 proposal did not directly address the content of the written performance evaluations required by the CRA statute, some commenters did. These commenters focused on whether the agencies would disclose an institution's ratings on the lending, investment, and service tests to the institution and to the public.

The agencies jointly will issue guidelines for the contents and disclosure of written evaluations prepared under the final rule, and these guidelines will implement the IBEA amendments regarding written evaluations. To address the issue raised in the comments, the agencies envision that these guidelines will provide that an institution's ratings on the different tests in the rule be disclosed both to the institution and, as part of the public section of the written evaluation, to the public. A guiding principle of the CRA reform effort has been to clarify for all concerned the basis for an institution's rating, and the disclosure of ratings will provide essential information regarding the assessment of an institution's performance. Contrary to the claim raised in some comments, neither the use of five ratings, nor the disclosure of those ratings to the public, conflicts with the statutory mandate that the agencies use four ratings in assessing the overall performance of an institution.

Appeals

Many commenters requested that the agencies establish an interagency appeals process. The final rule does not adopt this suggestion. Each agency has a process under which an institution