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Docket ID OCC-2013-0003
Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
Mailstop 9W-11
400 7th Street, S.W.
Washington, D. C.20219

Robert E. Feldman
Executive Secretary
Attn: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

Re: Community Reinvestment Act: Interagency Questions and Answers
Regarding Community Reinvestment – Docket ID OCC-2013-0003

Ladies and Gentlemen:

Citigroup Inc. (“Citi”) is a financial services holding company that owns Citibank, N.A., a national bank, and Banamex USA, a California state-chartered nonmember bank, each a depository institution subject to the Community Reinvestment Act (“CRA”) and the regulations promulgated thereunder by, respectively, the Office of the Comptroller of the Currency (the “OCC”) and the Federal Deposit Insurance Corporation (the “FDIC”). This letter is in response to the request by the OCC, the Board of Governors of the Federal Reserve System and the FDIC (collectively, the “Agencies”) for comment on proposed amendments to Interagency Questions and Answers Regarding Community Reinvestment (the “Q&A”) .78 Fed. Reg.16765 (2013).

I. Community Development Activities Outside an Institution’s Assessment Area(s) in the Broader Statewide or Regional Area That Includes the Institution’s Assessment Area(s)

Citi is supportive of the Agencies’ desire to provide more clarity around an institution’s ability to receive credit for lending and investing in underserved and other locations in broader statewide and regional areas that include an institution’s assessment area. The commentary, together with the proposed revised Q&A language (§__ .12(h)-6 and §__ .12(h)-7), successfully convey this intent. However, use of the phrase “may not be conducted in lieu of, or to the detriment of, activities in the institution’s assessment area(s)” preserves the uncertainty that currently exists. It remains unclear as to what will need to be proven in order for an institution to receive credit for its community development activities elsewhere in the broader statewide or regional area when those activities will not provide any direct or immediate benefit to its assessment areas. It would be helpful to have additional language or specific examples added describing how this requirement could be met. The phrase “in lieu of” is particularly challenging and should be removed since it

implies that an institution could not receive consideration for activity in the broader statewide or regional area, no matter how impactful from a community development point of view, if it might have resulted in any reduction in the activity in the institution's assessment area even if such activity would have been less impactful or less economical.

One approach would be, at a minimum, to allow institutions to justify their statewide and regional activities by documenting that they are pursuing community development transactions in their assessment areas but are losing them to competitors. This would be especially helpful in assessment areas where there are numerous institutions chasing after the same transactions leading to a significant artificial increase in the pricing of transactions. It would be helpful if documentation of the competitive nature of the community development opportunities in the assessment area was one type of acceptable justification to engage in community development activities elsewhere in the broader statewide or regional areas. The ability to use this as a justification should be clearly stated in the Q&A.

In order to make implementation of the revised Q&A effective, it is necessary for the Examination Procedures manuals to clearly state how activities in the broader statewide or regional areas will be considered in determining each rating for the state / multistate Metropolitan Statistical Areas. Ideally, these activities should be considered within the evaluation of the assessment areas that receive full-scope reviews in both the Community Development Lending portion of the Lending Test and in the Investment Test. Additionally, in the Tables of Performance Data, a row should be added for broader statewide or regional area activity in the Lending Volume table and in the Qualified Investments table on a consistent basis. Finally, we recommend that financial institutions be encouraged to consult with their examiners in advance of a review cycle to discuss and confirm how much of their activity could be conducted in the broader statewide or regional areas. The consultation should also include a discussion on establishing benchmarks and goals for the institution's overall community lending and investments activity.

The definition of "regional area" in the revised Q&A is appropriately flexible but because there is still a lack of absolute specificity, a lot will depend on the discretion of individual examiners. The Examination Procedures manuals should emphasize that the definition is intended to afford an institution flexibility.

II. Loans and Investments in Nationwide Funds

Citi agrees that nationwide funds are an important source of investments for low- and moderate-income and underserved communities and we support modifying Q&A § __.23(a)-2 to further encourage such investments. Consistent with the discussion above, however, Citi believes that it is important to have additional clarity on how an institution will demonstrate that investments in

nationwide funds are not “conducted in lieu of, or to the detriment of, activities in the institution’s assessment area(s).”

In addition, we encourage the establishment of a separate category for nationwide activity such as investments in nationwide funds. This would provide an institution with additional incentive to make investments that ultimately benefit underserved areas where the institution would not otherwise focus. The proposed nationwide category, as more particularly described below, should be available at an institution’s election and the institution should have the ability to propose the size of the category, but it should be limited to a level consistent with the institution’s domestic deposits that are received outside of its retail branches (*i.e.*, corporate deposits and deposits placed through the internet). We believe that such a nationwide category is consistent with the original intent of the Community Reinvestment Act to encourage depository institutions to help meet the credit needs of the communities in which they operate. In this day and age, when institutions are rethinking their branch operations and are frequently operating in, and taking deposits from, communities where they may not have retail branches, having a national bucket will encourage institutions to lend and invest in such communities.

The nationwide category should be viewed as a separate, stand-alone assessment area for the purposes of evaluating community lending and investment activity and the treatment of the activity in this specific category should be clearly described in the Q&A and in the Examiner Procedures manuals. The amount of activity targeted for the nationwide category should be determined by having the institution attribute some or all of its internet and corporate deposits to the category. This attribution should be done in consultation with the institution’s examiners and done in advance of each review cycle.

If a separate category is not established, we do not find the current methods of “earmarking” investments, including through the use of side letters, to be particularly burdensome. Further, we believe it would be difficult to effectively attribute investments to particular states or assessment areas and avoid double counting without side letters.

III. Community Services Targeted to Low- or Moderate-Income Individuals

The language which clarifies the use of eligibility for free and reduced-price meals and Medicaid as a proxy to identify individuals who are low- or moderate- income is a welcome addition to Q&A §__.12(g)(2)-1. This will significantly help reduce the burden for institutions in having to obtain actual income data. It will also remove the uncertainty in certain community development transactions and allow them to move forward.

Another proxy for low- or moderate-income that would be useful to have included in the Q&A is affordable rent levels for units not subject to regulatory agreements but located in low- and moderate-income areas. Often there are opportunities to lend or invest in affordable housing

projects located in low- or moderate- income areas, but actual income data, establishing that a majority of the tenants consist of low- and moderate-income households, is not available. Using the benchmark that housing costs should not exceed 30% of a household's gross income, it would be helpful if rental data could be utilized as a proxy for actual income data to demonstrate the affordability of a project located in a low- or moderate-income census tract (*i.e.*, documenting that the rents are less than 30% of 80% of AMI).

IV. Service on the Board of Directors of an Organization Engaged in Community Development Activities

We support the proposed revision to Q&A §__.12(i)-3, explicitly stating that service on the board of directors of a community development organization is a technical assistance activity that will receive consideration as a community development service.

V. Proposed New Q&A – Qualified Investments

We think that the proposed new Q&A (§__.12(t)-9) on Qualified Investments, limiting consideration of the investment to the amount of support actually provided to the activity or entity with a community development purpose, is sufficiently clear.

We thank you for the opportunity to comment on this proposal. If you have any questions, please do not hesitate to contact me at (212) 559-2938 or Rhona L. Landau at (212) 559-1864.

Very truly yours,



Carl V. Howard
Deputy General Counsel

cc: Rhona L. Landau
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