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ABN·AMRO

ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603-9135
(312) 904-2000

Legal

October 17, 2001

Robert E. Feldman
Executive Secretary
Attention: Comments/OES
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, N.W.
Washington, D.C. 20552
Attention Docket No. 2001-49

Ms. Jennifer J. Johnson
Secretary
Board of Governors
of the Federal Reserve System
20th and C Streets, N.W.
Washington, D.C. 20551
Docket No. R-1112

Communications Division
Public Information Room
Mailstop 1-5
Office of the Comptroller of the Currency
250 E Street, S.W.
Washington, D.C. 20219
Attention: Docket No. 01-16

RE: Joint Advance Notice of Proposed Rulemaking regarding the Community Reinvestment Act Regulations

Dear Sir/Madam:

ABN AMRO North America, Inc. (AANA) and its affiliate banks, LaSalle Bank National Association located in Chicago, Illinois and Standard Federal Bank National Association located in Troy, Michigan, appreciate the opportunity to provide comment on the Regulations implementing the Community Reinvestment Act in conjunction with the 2002 review of this important legislation. This letter is written on behalf of all AANA entities that are subject to the provisions of the Community Reinvestment Act.

AANA is a subsidiary of ABN AMRO Bank N.V. (Bank) which is headquartered in Amsterdam, the Netherlands. The Bank currently has over $511 billion in assets, approximately 110,000 employees, and a network of over 3,500 offices in 76 countries and territories. The Bank maintains 10 Branch or Representative offices in the United States.

In addition ABN AMRO Incorporated, an investment banking, brokerage and securities firm, headquartered in Chicago, is a subsidiary of the Bank.

AANA is the holding company for the U.S. operations of Bank and is also headquartered in Chicago. AANA is among the largest foreign bank holding companies in North America with $171 billion in assets and more than 20,000 employees. The U.S. operations of Bank include, but are not limited to, LaSalle Bank National Association located in Chicago, and Standard Federal Bank National Association, located in Troy, Michigan. These banks maintain over 400 offices in Illinois, Michigan and Indiana.

First and foremost in AANA's consideration of the Regulations implementing the Community Reinvestment Act is the desire to avoid substantial changes in the Regulations as they were published in 1995. The bureaucratic nature of institutions being what it is, it took several years before both the banks and the regulators became comfortable with the changed requirements in terms of objectives as well as support systems, and had effectively incorporated them into their operations. In the period since the changes went into effect most banking institutions have probably undergone only one or at most two examinations under the new regulations. Substantial changes at this time might not only require new changes to record keeping systems and procedures, but could also undermine the ability to accurately track trends and patterns in CRA activity over time. Frankly we believe that the changes made in 1995 substantially improved the CRA by its concentration on bottom line results rather than process, and that further time should be allowed to realize the full impact of those changes.

With that said, and if changes are to be made, we would like to suggest several related to the reporting and examination process which we believe would more effectively pinpoint **and highlight the legitimate community reinvestment and community development accomplishments of financial institutions.**

Assessment Tests

Currently the Examiners evaluate a bank's CRA performance based on three assessment tests: Lending, Investment, and Service, with consideration also given to the bank's community development activities. We recommend retention of the three tests as now constituted, but with an expanded and enhanced consideration of community development. In consideration of community development, Examiners should measure the bank's success in delivering loans, investments, and services for the benefit of low and moderate income individuals and low and moderate income communities within the assessment area.

Consideration of community development would include, but not be limited to, activities such as the following:

- **Loans to low and moderate income individuals or within low and moderate income communities,**
- **Funding of CDFI's and other community development intermediaries,**

- **Funding community development venture capital funds,**
- **Loans or investments in projects which provide housing, jobs, services, or other relevant benefits to low and moderate income individuals, or to low and moderate income communities,**
- **Purchase of Mortgage Backed Securities backed by loans to low and moderate income individuals,**
- **Grants to organizations engaged in community development activities,**
- **Equity investments in organizations, small businesses, or other projects for the purpose of community development, and**
- **Related activities such as:**
  - **applications to the Federal Home Loan bank for support of community development projects, the contingent liability taken on with such projects, and employee time spent in administering and monitoring these activities;**
  - **providing standby letters of credit (or other credit enhancements) supporting community development projects;**
  - **employee time devoted to a large variety of community development activities, such as construction of homes through the auspices of organizations such as Habitat for Humanity, etc.**

In order to receive community development credit, a project need not have community development as its "primary purpose", so long as a significant consequence of the project or activity benefits low and moderate income individuals or communities. By the same token it should not be required that an activity be explicitly "financial" if it works to the benefit of low to moderate income individuals or communities. Examiners would look to the totality of the bank's community development activity, recognizing that the balance **between community development lending, investments, services and other related activities may vary substantially from bank to bank so long as the total impact of the bank's community development outreach is consistent with its performance context and meets a reasonable standard related to community needs.**

Assessment test credit would remain as it is currently: Lending, 50%, Investments, 25%, and Services, 25%

Originations, Purchases, and Mortgage Backed Securities

We recommend the continued reporting and equal consideration of both originations and purchases of loans. Purchases provide a service to the community by freeing up capital for further lending or investment. Both the originator and the purchaser make a contribution within the framework of their particular capabilities and the needs of their markets. In addition we recommend that institutions receive CRA credit for the purchase of mortgage backed securities even in instances when the security is made up in whole or in part of loans originated by the same institution.

Permitting CRA credit for "swap and hold" transactions (swapping mortgage loans originated by the bank for securities backed by those same mortgages, which securities are

held by the loan-originating bank) enables a wide range of securitization alternatives to be attractive options for CRA-regulated institutions. If such securitizations are given CRA credit for all institutions, and the standards are relative for peer institutions, investment test standards would not be lowered. Securitizing loans allows institutions to better manage overall credit, geographic and interest rate risks and, therefore, to expand credit access. If an institution retains mortgage assets on the balance sheet for revenue purposes by swapping loans for mortgage backed securities, significant economic and financial benefits could accrue to the institution including: shifting most if not all of the credit risk to the securitizer, lowering the risk weighting of the asset for risk based capital purposes, and creating a new asset which can be used for collateral against other borrowings. We believe there should be no negative CRA impact for choosing one particular securitization execution over another—i.e., creating then selling the mortgage backed securities to others, versus swapping loans for mortgage backed securities.

We believe that such innovative securitization concepts as these should be encouraged since they allow for additional capital to flow into affordable loans, and allow institutions to use greater flexibility and accept more risk in their portfolios.

Assessment Area

We support the position contained in the latest Interagency Questions and Answers Regarding Community Reinvestment, with regard to community development lending, investment, and services which provide benefits outside the institution's assessment area but within a broader statewide or regional area that includes the institution's assessment area(s). We believe that such activities should be considered favorably for CRA credit as long as the institution has otherwise adequately addressed such needs within its assessment area.

Definition of Assessment Area and Limited-Access Deposit-Taking ATM's

Currently the CRA Regulations provide that a bank's assessment area must include geographies in which the bank has its main office, branches, and deposit-taking ATMs. We recommend an exception to this requirement in the case of limited-access deposit-taking ATMs, which are provided solely for the convenience of the bank's own employees or for the employees of business customers, and which are not available to the general public and are located in areas far removed from the bank's headquarters or retail branches. The Regulation should eliminate the requirement that such limited-access deposit-taking ATMs trigger a CRA responsibility.

Affiliate Lending

We recommend retaining the current approach which allows for the optional reporting of affiliate loans.

Reporting of Standby Letters of Credit

We recommend that standby letters of credit supporting community development projects be included in the number and total loan amount figures reported to the FFIEC in the annual report of Community Reinvestment activity. When such standby letters of credit are issued they represent the bank's decision to make funds available to the borrower if and when circumstances should require. This commitment from the bank is particularly relevant to the viability and success of some community development projects and warrants community reinvestment consideration.

Public File

We recommend that the requirement for maintaining and making available the Public File be changed to provide for maintenance of the Public File in the financial institution's main office only, providing that a copy of the full Public File be maintained in each state where the bank operates retail branch offices. Experience indicates that requests for the branch-maintained Public File are rarely made. For those individuals who wish to review or receive a copy of the Public File, the full Public File as maintained in the main office or designated office in each state can reasonably be made available to them either at the branch or in some other convenient way. The name, address, and phone number of the individual to be contacted for this purpose should be made available within each branch. Posting of such information within the branch would satisfy this requirement.

We appreciate the opportunity afforded to us to comment on the Community Reinvestment Act Regulations, and hope that these comments will contribute to an improved Regulation, one which will even more effectively achieve the goals of the Community Reinvestment Act.

Sincerely,

Gary S. Washington

Gary S. Washington
Senior Vice President